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# FINANCIAL TIMES

No. 27,725

Monday November 27 1978

السبيل

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## NEWS SUMMARY

### GENERAL

#### Divers die in N. Sea accident

Two North Sea divers were killed in an accident at the Beryl Field, 200 miles north-east of Aberdeen.

The divers were trapped inside their diving bell on the seabed, 50 ft below the surface, after lift lines attached to the bell broke when the diving support vessel was forced from its station by gales.

As rescue operations started, water seeped into the damaged bell flooding the chamber, and the bodies of one diver floated to the surface. Both men were employed by Northern Divers, a subsidiary of Star Offshore Services. **Back Page**

#### Transvaal leader

The election of the arch-conservative Dr. Andries Treurnicht as Transvaal leader of South Africa's ruling National Party is expected to precipitate a bitter ideological struggle within the Government. **Back Page**

#### Refugees aided

Canadian immigration officials issued visas and blankets to 159 Vietnamese refugees arriving from the freighter Hai Hong, stranded off the Malaysian coast for three weeks while awaiting international resettlement offers.

#### Services hit

Troops used teargas and fired into the air to disperse anti-strike demonstrators in Tehran as a general strike called by the opposition crippled most services. **Back Page**

#### Mark 'murdered'

Scotland Yard detectives are treating the death of 11-year-old schoolboy Mark Berkshire as murder, after his body was found in undergrowth at All Saints Church, West Dulwich, London. Mark disappeared two months ago.

#### Chirac hurt

M. Jacques Chirac, Gaullist Party leader and former French Prime Minister, suffered a fractured thigh bone when his car skidded on an icy road in the South West of France. **Page 2**

#### Guyana suicides

The last aircraft bringing home bodies found after the mass suicide at the Guyana jungle settlement of the People's Temple arrived in Delaware. Only 17 of the 914 dead have been positively identified.

#### Briefly...

Thousands of Republican demonstrators defied a ban and marched peacefully through Armagh.

Protesters hold a conference in London tonight on legalising their profession.

Weekly £50,000 Premium Bond prize winner lives in Manchester with bond number 1GB751027.

Speed referee in Yugoslavia was stabbed to death in Belgrade by a fan after two players were sent off.

Crabapple which devastated parts of Lanka is expected to hit the west coast of India today.

Agony passengers burnt a bus which killed two motorists in Karachi.

Scientists in East Germany have reconstructed skeletons of two elephant-like creatures which drowned in a mud pit 2m years ago.

At least 10 people died in a hotel fire in New York.

Two Breton autonomists go on trial this week for plotting a bomb at Versailles Palace.

### BUSINESS

#### NEB puts in new five-year plan

NATIONAL ENTERPRISE Board has submitted a new five-year corporate plan to the Industry Secretary based on a considerable increase in its present borrowing limit of £1bn.

The plan covers major expenditure on BL and Rolls-Royce, as well as other projects such as the 150m INMOS micro-electronics company and a £40m investment in the office equipment market. **Back Page 4**

**TOUGHER PENALTIES** are urged on companies failing to register restrictive trade practice agreements with the Office of Fair Trading, says the Consumers' Association in evidence to a Government review. **Page 4**

**GROCERY PRICE** index calculated by the FT rose sharply this month to reach 103.67, up 18 points. The main cause was the rapid rise in the price of fresh fruit, vegetables and dairy products. **Page 4**

#### Germany faces steel strike

**WEST GERMAN** steel industry seems certain to face its first strike for 50 years after the breakdown of a final round of talks between employers and the unions. About 37,000 of the 200,000 union members are expected to be called out. **Page 2**

**PUBLIC SECTOR** borrowing in the 1978-80 financial year will have to be £11.5bn, below the current expected level if the Government's fiscal policy and monetary target are to be made consistent, says a London Business School study. **Page 8**

**COMECOM**, the Soviet Bloc economic group, has agreed to consider a compromise formula from the EEC Commission after three days of intensive talks in Brussels failed to produce an agreed basis for a formal accord. **Page 2**

**GENERAL ACCIDENT** is to increase substantially its premium rates for household goods and personal valuables on all new business from December 1 and for existing contracts from next February 1. **Page 5**

**LANCERBOSS**, the lift truck company based in Letchworth, has won a Saudi Arabian contract which could be worth £50m. **Page 5**

#### Unions accuse chemical groups

**TRADE UNIONS** have accused multinational chemical companies of holding secret talks with the EEC in Brussels which could threaten "job security and national industrial strategy" in Britain and France. But chemical industry executives have denied that the talks were secret. **Back Page**

**IRON AND STEEL** Trades Confederation, Britain's biggest steel union, is to seek a wage deal worth 12½ per cent and suggest plans to spread work in the British Steel Corporation. **Page 5**

**BARRIS QUEENSWAY**, the carpet and furniture group, is expected to offer 5m shares at 155p each to raise £775m, taking the group's capital to £3.25m. Of the shares, 1m are new and the rest are from family interests. **Page 26**

**GENERAL MOTORS** is to build a \$65m car battery plant in the Lorraine province of France, its first such plant outside the U.S. It is due to come on stream in 1981 and produce 2.3m batteries a year eventually. **Page 3**

**NEWS INTERNATIONAL**, the company headed by Mr. Rupert Murdoch, has sold 2.6m shares in London Weekend Television for about £3.6m. **Page 5**

**BORG-WARNER'S** U.K. transmission division is launching a £10m five-year research programme to develop a new generation of automatic transmission systems. **Page 4**

## Posters accuse 'modern dictators'

# Peking freedom calls reflect power struggle in party

BY JOHN HOFFMAN: PEKING NOV. 26

The dramatic street-poster campaign on the walls of the Chinese capital calling for unprecedented freedom, criticising past and present leaders, and drawing people on to the streets in their thousands, gathered force today amid scenes of intense enthusiasm.

New posters pasted on prominent walls in Peking in the past 24 hours deny that democracy has ever existed in China, and accuse "modern dictators" of suppression and denial of human rights.

Some of the most remarkable examples of the new sense of freedom that has swept through China recently, contain the harshest criticism yet seen in Peking of the late Chairman Mao.

One said that in his old age Mao had become dogmatic, incapable of admitting his mistakes and prone to blather, leading to the loss of his position. Another said bluntly that Mao's theories of economics and class struggle were "ridiculous". "They were not even truly Marxist."

This poster and others have followed persistent reports of a power struggle at the top of the Chinese Communist Party leadership with gathering support for the reinstated principal Vice-Premier Teng Hsiao-ping and his policies of economic liberalism, believed to have been largely responsible for the recent overtures to the West.

One poster which enumerates 14 examples of "serious damage to Chinese society" by Mao, cites the former leader's support for the sackings of Teng, perhaps China's most popular and powerful leader, as one of the mistakes.

Another poster at the edge of Tian An Men Square, close to the Mausoleum which holds Mao's body, calls for a full reassessment of Mao.

Was he "70 per cent good and 30 per cent bad"? It asks. It calls for a new look at the "Cultural Revolution" inspired by Mao, which started in 1966 and set back China's development by years.

"Modern dictators have developed a new religion to suppress the people and keep them in the dark," it says. A spiritual Great Wall had been built round the country to protect the dictatorship.

"Arise, comrades! Give a final judgement to all dictators and finally eliminate them!"

The poster demands that the world of the Chinese people's desire for democracy, human rights and freedom of expression.

They also said they would like to see Vice-Premier Teng Hsiao-ping elevated to the position of Premier, a post now held by Chairman Hua Guofeng.

The frankness of their exchanges with foreigners and of the posters, many of them signed, have been interpreted as a sign of a new openness in the country.

Thousands of people ignored suffocating dust storms today to carry 10 decads along the walls in Chang An Boulevard and in

watched with interest. "Whatever the rights and wrongs of the BL case, any success will open the way for others to follow," the Federation said last night.

Few companies had yet concluded agreements. They were awaiting the outcome of the Ford dispute and settlements at key companies such as BL, the Federation added.

Shop stewards claim this could raise earnings by an average £4 a week in plants like Longbridge, Jaguar and Triumph where there is extensive night-shift working. The Government has taken a strong line insisting that such premium payments under the national agreement must be offset against the 5 per cent ceiling. "This has aroused widespread unrest among workers who find themselves restricted to an annual award of only 2 or 3 per cent."

**Sensitive**

BL is justifying its offer by pointing out that all premium payments will be self-financing through higher productivity.

It seems likely that a company as politically sensitive as BL would have made unofficial soundings within the Department of Employment before making any offer.

Whether official backing is forthcoming for such an apparently simple way round such a serious problem in the engineering industry will be

direct government contributions and the pooled resources of commodity associations. It is also agreed that it should have a separate obligation following the "second window" for concessional lending to poorer nations.

Developing nations of the Group of 77 were bitter at the insistence by the West that contributions to the "second window" should be voluntary with a target of \$150-250m. They want mandatory contributions of \$300m, or a substantially larger target for voluntary contributions, on the ground that the fund will otherwise have little to offer many poorer African States.

They also dismissed the West's offer of direct contributions of \$200m to the "first window" as the part of the fund to be devoted to buffer stocking. Industrialised nations have suggested that \$60m should be paid in cash (with an initial tranche of \$200,000 from every member State) and the remainder in callable capital.

## Dispute at Times may reach regions

By Christian Tyler, Labour Editor

THE BATTLE over the future of The Times and Sunday Times, now almost certain to suspend publication after Thursday, could spread to about 50 newspapers in the provinces owned by the related Thompson Regional Newspapers.

Leaders of the National Graphical Association, the one union that has refused to meet Times Newspapers management, all today advise area officials that their support may be required.

The NGA, which because of the deadline imposed has twice rejected last-minute public appeals to negotiate, made it clear yesterday it sees The Times battle as one of national importance over who should operate the computerised keyboard that The Times and other newspapers want to introduce.

Further evidence of the seriousness of the confrontation came yesterday after the Sunday Times suffered what the management said was the biggest loss of circulation since its first warning to all unions on April 24.

**'Savaging'**

Mr. Duane, North-South general manager of Times Newspapers, said: "Obviously this sickening pattern of damage cannot be allowed to go on. It is said, but wholly indicative of the problem, that even at this last hour some union members cannot resist the final, merciless savaging of this great newspaper. There is little more one can say."

He said the paper lost 568,000 copies through the night due to two unauthorised meetings, slow production, and another early departure by machine operators belonging to the National Society of Operative Printers, Graphical and Media Personnel (Natsopag).

The Sunday Times had lost nearly 7.5m copies through delays this year. The Sunday Express, its colour supplement, The Times and its paper supplement had lost over the last year 13m copies, all due to unspecified industrial action.

With only four days to go, the company was negotiating through the weekend with some of its 54 bargaining groups.

Times Newspapers is demanding significant improvements covering staff cuts, working practices, disputes procedure and new technology in return for better pay, fringe benefits and holidays.

There is no sign that either the Government or the TUC, both of which have been approached, are about to intervene. The company said last night: "We cannot conceive of a situation that would make us move the suspension date short of setting the agreements we have asked for by that time."

The company stressed last night that its total pay package was entirely dependent upon higher productivity. About 7,000 voluntary redundancies are currently being sought both to finance the national agreement and to achieve parity of earnings between plants by November next year.

The total BL package, worth nearly 17 per cent, for the lower-paid plants such as Longbridge and Cowley, will be backdated to November 1 this year.

**Package**

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**FORD SANCTIONS TODAY**

Government sanctions against Ford Motors are to be announced today following last week's 17 per cent settlement. They will be revealed after senior Ministers have informed Sir Torrence Beckett, chairman of Ford UK, and are expected to provoke angry reactions at Westminster and in industry.

Grocery and supermarket employers could get pay rises up to 20 per cent from an agreement which goes to union ballot this week. It guarantees an increase of at least £5.50 a week to about £100,000 workers in supermarket chains like Tesco, Fine Fare, Allied Suppliers and International Stores. **Back Page**

## Cabinet set to approve EMS stand

BY RICHARD EVANS AND PETER RIDDELL

THE PRIME MINISTER is therefore bound to be likely to gain endorsement from his Cabinet colleagues for his formula for keeping Britain's options open over the European Monetary System, but he could face severe party difficulties that their support may be required.

On Thursday, the Cabinet is likely to be recommended to accept what amounts to a half-way house in which the UK will seek to participate with the rest of the EEC in establishing a broad-based European Monetary System, although sterling will not be linked immediately with other EEC currencies.

Sympathy for the UK view is believed to have been shown both in the talks between the Prime Minister and President Giscard d'Estaing of France earlier this month between Mr. Callaghan and Mr. Roy Jenkins, President of the EEC Commission.

The Prime Minister's formula is not just a diplomatic way of not joining, even though the large positive approach to the proposals in the only way to obtain suitable conditions for the UK is by at least partial involvement from the start in a scheme including the whole EEC.

The proposed halfway house would have the advantage that the UK would be involved in aspects of the system such as credit arrangements, the review after six months and harmonisation of economic policies. But it would be released from making any significant and controversial new commitments as would be involved in linking sterling with other currencies.

Britain's reservations about what it sees as "a narrower issue of a particular exchange rate mechanism" were set out in the Green Paper.

The relationship between the closely-linked economies of the UK and Ireland is seen as one of the trickier results of the anticipated decision to Ireland to join the EMS at its January starting date, and by Britain to remain on the sidelines.

The first Labour Party meeting takes place today, when the home policy and international committees of the National Executive—all the senior members of Labour's ruling body—meet Mr. Denis Healey, Chancellor of the Exchequer, in the Commons to discuss EMS.

As the majority of the NEC is implicitly opposed to any policy other than complete rejection of EMS, the Chancellor could be in for a rough ride. As the international committee has yet to choose a chairman it will be interesting to see who chairs today's meeting.

Mr. Anthony Wedgwood Benn is chairman of the home policy committee but as the Cabinet's most vociferous critic of EMS he might find it diplomatically awkward to allow Mr. Frank Allaun, party chairman and another opponent, to take the meeting.

The full Parliamentary Labour Party meets tomorrow when both the Prime Minister and Chancellor will attend, and the full-scale Commons debate will follow on Wednesday.

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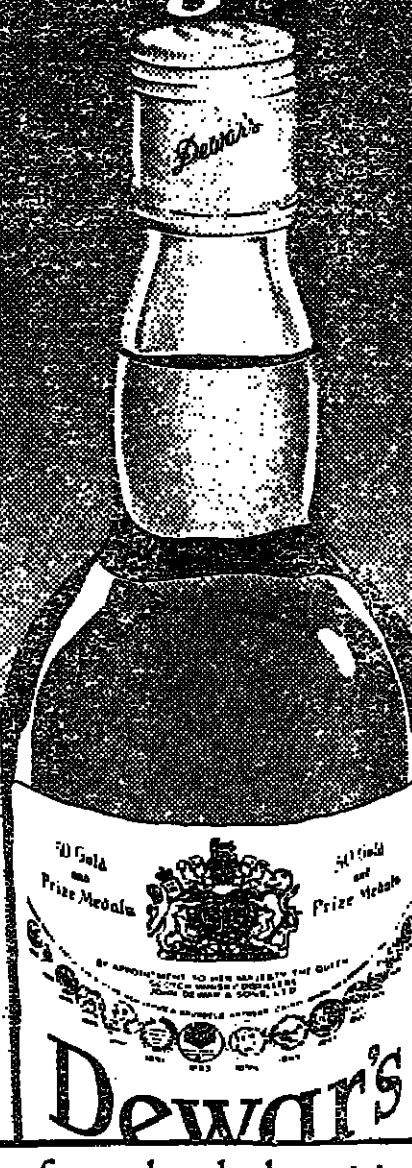
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## GM picks France for \$55m car battery plant

BY KENNETH GOODING

GENERAL MOTORS is to spend \$55m to establish its first automotive battery plant outside the U.S. and has chosen a site at Sarreguemines, in the Province of Lorraine in North-Eastern France.

The 323,000 square foot plant, scheduled to come on stream early in 1981, will produce around 2.3m batteries a year when at full production and employ 600. It will make the "AC Delco Freedom" battery which GM describes as a "scaled, long-life unit that requires no service attention by the car owner during the battery's life-time."

The batteries will go as original equipment on GM vehicles produced in Europe—Opel, Vauxhall, Bedford—and will also be offered to other motor manufacturers.

Technology for the batteries will be provided by GM's Delco-Remy division in the U.S. which has pioneered the development of "maintenance free" batteries for cars and trucks since 1970. There are now 15m in use in the U.S.

Currently Vauxhall in the UK

buys batteries from a number of suppliers, including Lucas and Chloride.

With the new plant, GM will have ten component manufacturing plants in Europe. Seven are already in operation—four in the UK, one in Ireland and two in France. Two others previously announced are under construction in Northern Ireland and in France.

General Motors and Ford Motor are actively pursuing business ventures in China following visits there by top executives of the two motor companies, AJ-DJ reports from New York.

Both GM and Ford have been holding talks directly and indirectly with Chinese officials aimed at exploring possible sales or production, or both, of motor products in China. The Chinese, it is understood, are interested in trucks and heavy-duty transportation equipment, including diesel locomotives and earth-movers.

GM said it has been exchanging information with Chinese officials through its Washington trade agency following a visit to

Peking last month by GM's chairman, Mr. Thomas A. Murphy, after which he said that GM is "hopeful of doing some business there."

Part of the GM delegation's itinerary included a visit to the Peking motor factory which manufactures the BJ-212 utility vehicle which Peking has tried unsuccessfully to market abroad. Chinese officials are said to want outside help in producing the vehicle with right-hand drive to make it easier to sell abroad, particularly in Hong Kong.

It is not clear whether GM might be interested in setting up a manufacturing operation in China or would merely sell some products or services there. A GM spokesman said the Chinese appear to be primarily interested in GM's providing them with heavy equipment.

Ford, meanwhile, confirmed it held talks in Peking "two or three times" since its chairman, Mr. Henry Ford II, visited China during a Far East tour last June. The most recent round of talks was held about seven to 10 days ago, a Ford spokesman said, but declined to give any details of the discussions.

A Ford spokesman said the company has been asked by Chinese officials to provide information about its "capabilities, including production of vehicles," and Ford has been doing so through China's Washington representatives.

## LancerBoss wins £50m Saudi order

By Hazel Duffy, Industrial Correspondent

LANCERBOSS, the Brighton Buzzard-based lift truck company, has signed a contract with the Saudi Arabian Government which could be worth up to £50m over the next five years.

LancerBoss chairman, Mr. Neville Bowman-Shaw, says it is the first "umbrella" agreement to be signed in Saudi Arabia, and provides for the purchase of LancerBoss vehicles, parts and accessories, and for the supply of lift truck spare parts and maintenance services.

The first tranche of the contract, comprising 110 large general-purpose trucks valued at £1m, has already been delivered to the west coast ports of Saudi Arabia. The agreement was signed in July but Mr. Bowman-Shaw says his company has only just announced it because "we wanted to be sure that the contract would be implemented first."

The company already does business with Saudi Arabia, amounting to several million pounds annually, and says this will be in addition to that work.

The contract provides for discounts to become operative when the number of trucks shipped out to Saudi Arabia goes above the value of £10m annually.

Faked shipping documents, letters of credit cashed for large sums at UK banking centres — but no goods delivered. A special correspondent reports

## The bogus bill of lading frauds

MASSIVE FRAUDS are being carried out on an international scale through the loophole of bogus bills of lading in a new and costly form of swindling.

Even moderately-sized companies can easily lose £100,000 at one go and the targets on which some criminal gangs are working could be as high as £5m for each fraud.

The people who run these bogus operations are spread, spread their activities across the world—and are very difficult to trap.

Typical of the events which can deceive even the most prudent companies, however much care they take to protect themselves against the misuse of letters of credit, are a number of cases which have just been investigated by Scotland Yard.

And these are regarded as only the tip of the iceberg. Lloyd's has compiled a list of more than 50 missing cargoes worth between £5m and £15m which have aroused suspicion among marine underwriters — to the extent that the Salvage Association is checking out their authenticity in distant ports.

The case with which genuine letters of credit for large sums were cashed with the aid of bogus documents at UK banking centres has caused alarm in financial circles. The traditional use of simple, but accepted, shipping papers for trading purposes

may be put in jeopardy if these schemes are repeated.

Very simply, four highly-reputable Scandinavian, Dutch and Belgian trading merchants were caught for nearly £5m by the device of submitting fake records which purported to show that large quantities of goods had been shipped from Hong Kong by two equally reputable shipping lines.

The companies were

channels. The names of the companies were probably obtained from international trading directories and selected at random from many others to whom a similar mailings list might well have been sent.

Each company agreed quite separately to take between £200,000 and £300,000 worth of goods, on a 60-day credit basis, and opened up normal letters of credit at the London branch of

just as soon as they were satisfied they had been despatched.

True to plan, the London agents in due course presented bills of lading, sanitary certificates, customs documents, and certificates of origin together with other papers to verify the shipments at the UK bank, which under banking rules was legally bound to meet the letters of credit deposited by the intended recipients.

Funds in favour of the Far East exporters were transferred to two Swiss bank accounts in Fribourg, and were drawn out by them, or their representatives, 24 hours later.

But everything was fraudulent — there were no goods, and the bills of lading and other documents had been forged so effectively and so easily, because many of them were copied from normally available stationery, so that no one suspected until too late that they were bogus.

As a result, a merchant company based in Stockholm lost £275,000, one in The Hague £182,250, one in Brussels £217,000, and another in Copenhagen \$280,000.

The same crime syndicate, it is believed, has tricked other European companies out of more than \$3m in a Paris-based operation, and tried to get nearly \$1m from two British companies which fortunately for them refused to extend credit.

Lloyds has compiled a list of more than 50 missing cargoes worth between £5m and £15m which have aroused suspicion among underwriters. Other cases have been investigated by Scotland Yard.

approached just over three months ago by a marketing company set up in Hong Kong which claimed that it had a wide range of "trusted goods" available for sale at reasonably cheap prices.

Its European principal said he had access to large quantities of bankrupt goods all over the Far East and was going to "systematise" their disposal.

He offered a rag bag of consumer goods. They would be sold through a UK company which was trying to enter the West European market and would be available on letters of credit through normal banking

a recognised Spanish bank for this purpose.

Just why a Spanish bank was chosen at the request of the Hong Kong marketing group is not clear, but the letters of credit were to be met on production of the appropriate bills of lading and other documents by the agent of the UK trading company which was acting for the Hong Kong principals.

The goods were to be put on two merchant ships running on regular cargo lines from Hong Kong to Europe, and were to be loaded at Hong Kong for direct delivery to the recipients, who were prepared to pay for them

## Perkins in major Third World push

BY OUR MOTOR INDUSTRY CORRESPONDENT

PERKINS, the diesel engines group, is negotiating in six of the developing countries about possible local manufacture. The group does not expect to win all the contracts. But the fact that so many negotiations are going on at the same time is an indication of the intense interest in diesels in the developing world.

Discussions are in train in Colombia which is to put up a components plant to provide its contribution to a diesel engine project organised by the Andean Pact countries.

In Egypt the scheme would be a joint venture with local interests to make tractors and engines.

The Indonesian Government is considering an engine plant also via a joint venture operation, as are the authorities in the Philippines. And in Taiwan the main thrust of the joint venture project would be towards truck manufacture but there is also a diesel engine content.

In addition to all this, Perkins is talking with its present licensee in Pakistan, the Pakistan Tractor Company, about a new joint venture scheme for tractor and engine manufacture.

The group has also just completed a new arrangement in India whereby its existing licensee will now make under license the latest version of Perkins three-cylinder diesel, used mainly to power tractors.

Of the 300,000 engines Perkins sold to organisations outside Massey-Ferguson, its Canadian-based parent group, last year, 10 per cent went to Asia, 8 per cent to the Middle East and Africa and 36 per cent to Latin America. Currently Perkins engines are project organised by the Andean Pact countries.

Perkins has less than 50 per cent of the shares) or by a licensee. Mr. Roger Clark, director of sales and marketing, says that the group would win perhaps half the contracts it was negotiating. He does not believe Perkins is contributing to over-capacity of diesel engine manufacture because by 1981, or thereabouts, current surplus capacity would be used up and there would well be a shortage.

In any case, "most of the countries we are looking at are those where a big growth in demand for diesel engines can be expected."

## Fiat and Yugoslavs sign new co-operation accords

BY ALEKSANDAR LEBL

BELGRADE, Nov. 26.

FIAT INTENDS to keep its market share in Yugoslavia whereby it accounts for three in four cars manufactured and two in three cars sold here, a Fiat president, Sig. Giovanni Agnelli, announced today.

Sig. Agnelli had just signed two agreements with Dr. Milenko Bojanic, general director of the Crvena Zastava works of Kragujevac, the biggest Yugoslav car manufacturer, after being received by President Tito who awarded him, as well as some of his associates, high Yugoslav decorations.

The first agreement covers long-term industrial co-operation in manufacturing Fiat model 128 passenger cars and the second manufacture of one to two tonne delivery vehicles. Crvena Zastava has been manufacturing in Kragujevac, under Fiat licence 700 cc. cars and will soon start manufacturing Model 127 cars. It has also been manufacturing GM type lorries of four to five tonnes and more recently 1.5 and two tonne lorries. A few 132

model cars have been assembled in Zagreb.

It is hoped that eventually, although this is still in the negotiating stage, that Fiat will cease manufacturing the 128 model and instead take cars of the model produced by Crvena Zastava in exchange for parts, components and finished cars of other models, and sell it through Fiat's worldwide network. Mutual deliveries of Fiat and Crvena Zastava, which have to be balanced, will amount to \$1.2bn both ways until 1986, starting from some \$100m in 1980 to over \$200m in 1986.

Other agreements are in the pipeline to cover co-operation in the manufacture of the 131 model, stepped-up assembly of the 132 model, and possibly further co-operation in the commercial vehicles and agricultural machinery fields, etc. Fiat will assist Crvena Zastava in obtaining finance for its development from Italy and will possibly transfer part of the manufacturing equipment.

## Charter rates up again

BY LYNTON McLAIN

THE CONTINUED demand from major oil companies for tonnage out of the Gulf forced charter rates up again last week, with vessels for November charters in particularly short supply.

The upward momentum in the market is expected to be maintained next month, with activity dominated by demand for very large and ultra large crude carriers. BP fixed a 227,000-tonne vessel for charter at the end of November from the Gulf to West Coast ports at Worldscale 621. Worldscale 60 was reached for a 350,000-tonne vessel for charter to BP early next month.

The December market is almost certain to pick up impetus this week.

But the long queues of vessels awaiting cargoes at Kharg Island, Iran, are expected to remain for some days before more regular loading patterns are re-established. The queues began

with the internal disruption to oil production in the country, but may continue as charters seek vessels for loading before January 1, when oil prices may rise.

Mild weather in Europe last week affected trading in middle oil disillates, but demand is expected to increase as winter approaches, particularly from Mediterranean and Caribbean terminals, where trade was active throughout the week.

In the dry cargo trades, activity on the Atlantic was again down, with little pressure for extra grain tonnage expected. In the Indian Ocean, demand was more steady with rates for medium size bulk carriers up.

On the secondhand ship market, it was reported from Hong Kong that China was now the world's largest purchaser of secondhand ships. The country is buying ships at the rate of two a week.

## World Economic Indicators

		INDUSTRIAL PRODUCTION				% change over previous year		Index base year	
		Oct. 78	Sept. 78	Aug. 78	Oct. 77	1977	1976	1975	1974
U.S.		147.2	147.5	146.7	139.2	+5.7	1967=100		
UK		109.8	110.9	111.7	106.5	+3.1	1975=100		
West Germany	122.4	100.9	105.3	114.4	+5.0	1970=100			
Italy	134.6	72.8	127.0	132.9	+1.9	1970=100			
France	128.0	127.0	127.0	125.0	+2.4	1970=100			
Japan	24.2	123.9	121.4	115.8	+7.2	1975=100			
Belgium	107.8	77.9	116.5	108.7	-0.8	1970=100			
Holland	125.0	130.0	127.0	124.0	+0.8	1970=100			

\* Provisional.

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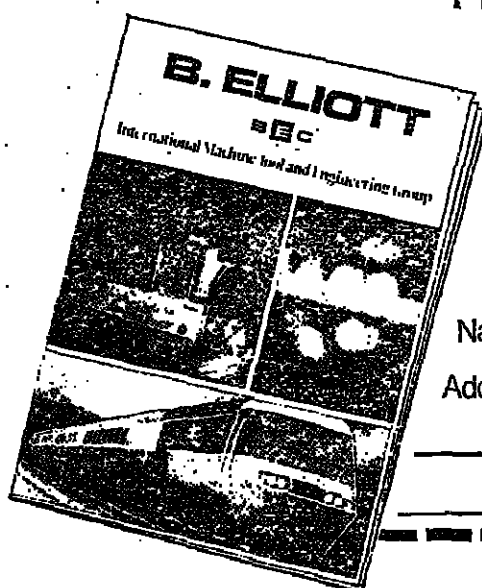
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# Economic committee for textiles sector

BY RHYD DAVID, TEXTILES CORRESPONDENT

THE Lancashire cotton and allied textiles sector is understood to have succeeded in its application for its own economic development committee.

No formal reply has been made yet to the request made jointly by the industry's employers and unions last July, but a decision allowing a committee is expected to be announced when the National Economic Development Office holds its annual review of the workings of the committees early next year.

The Lancashire industry, which employs about 70,000 people, has been making informal links with Government through a committee consisting of civil servants, industry and union representatives.

There have been mixed views about the past among commentators on whether more formal links would be of value in helping to deal with the sector's problems.

The industry has become concerned recently, however, at being on the fringes of the Government's industrial strategy. It is now a major textile sector, including major textile firms, including clothing and man-made fibres, all of which have their own economic development committees or sector working parties.

Considerable rationalisation

has already taken place within the Lancashire sector under pressure from imports but important decisions still have to be taken on the direction in which Lancashire's textiles should develop. The EDC is beginning to formulate an industrial policy for textiles and this has been a factor in persuading the Lancashire industry of the need for an economic development committee.

The industry's problems were outlined in Brussels recently by a delegation from 13 northern local authorities, which represent a population of nearly 5m.

The delegation met Mr. Roy Jenkins, President of the European Commission, and Mr. Tran Van Thinh, the Community's leading textile trade negotiator.

There was a strong feeling of urgency to draw attention to the loss of jobs — roughly 7,000 over the past year — and to impress the need for EEC policies in both the commercial and industrial field to be devised to ensure the survival of the textile industry in the Community.

The Community's response apparently has been that while there remains a good chance of current GATT arrangements being extended beyond its present 1981 deadline, the EEC is less inclined to ask

as in the present round — for substantial derogations to enable

big restrictions on import growth to be introduced.

This would imply a return to import growth rates of at least 6 per cent in the next MFA round.

Continued problems within European textiles as a whole are apparent in figures published by the International Textile Manufacturers Federation (formerly ITCI).

Its latest report on textile trade in the third quarter shows a general decline in spinning and weaving output in Europe, with export business also described as dull. Some improvement in the fourth quarter of 1978 is forecast, however.

In the UK, figures from the Textiles Statistics Bureau show that yarn production in September was down 1.5 per cent on the previous month. Output in the first nine months of 1978 reached 123.7m kg compared with 123.2m kg in the same period last year.

Woven cloth production reached 623.9m metres compared with 648.9m metres in the first nine months of last year.

The Shirley Institute, the Manchester-based research centre, is holding a one-day conference next February to discuss developments in the search for low-cost, high-speed processes to make continuous filament yarns with the current and other priorities of natural-fibre spinning.

# General Accident to increase household premiums

BY ERIC SHORT

NEARLY one million people who insure their household contents and valuables with General Accident face a rise in premiums in the new year.

The Scottish-based company, a leading household insurer in the UK, has announced a complete revision of its premiums rates for household contents and personal valuables, which has resulted in substantial increases. These take effect on Friday, December 1, for all new business and from February 1, 1979 for existing contracts.

The company markets four types of household contents policies. These vary from one where the amount paid on a claim is little more than the second-hand value of the items involved, to one where the cost of replacing the items is paid.

The rates increase progressively and the company has three offices remaining in London — London, London and London — and the rest of the UK.

The basic premium rate for the limited cover contract, applicable to districts outside the GLC, is fixed to 20p per £100 insured from 25p.

This rate had remained unchanged for over 50 years and General Accident is following

the lead given by the Sun Alliance Group in departing from this rate. Other rates are increased — the highest rate being for maximum cover in the London postal districts which is now £1 per cent.

The effects of this change can be seen from the example of a combined policy on a house insuring the buildings for £20,000, the contents for £5,000 and valuables for £1,000.

Under the changes an individual in the London postal area will now pay £110 a year, instead of £85; elsewhere in the GLC £59 against £50, and in the rest of the UK £73 instead of £62.

The reason behind the move to General Accident is an attempt to reduce the heavy losses being made on its UK household account. This has moved in the last two years from profit to loss. The company lost £4.5m in 1977.

The epidemic increase in thefts, especially in the London area, has not been met by the company's restructuring its rating system to reflect these higher numbers of thefts.

It has also taken the Edgware, Stenage and Wembley areas of other GLC districts and put them in the London postal districts for rating purposes because of the increased incidence of thefts in these areas.

# 'Another leap in oil price unlikely'

Financial Times Reporter

CRUDE OIL prices are unlikely to rise by more than 1 to 2 per cent above inflation rates over the next 10 years, according to a European Model, the London-based forecasting consultancy.

If economic growth in the OECD countries averages no more than 3.5 per cent a year, this would increase the cost of crude oil to about \$27.50 per barrel at current prices by 1987.

Next year will be an exception, says the forecast, in that the expected rise of 10 per cent in oil prices is assumed to include a "premium" to take account of the decline in the value of the U.S. dollar.

Crude oil imports by the U.S., Japan, Canada and the six largest EEC countries will have risen to about 31.7m barrels a day in 1987 compared with 23.1m barrels a day last year.

Economic Models does not envisage any crisis in oil supplies with such an economic growth rate over the next 10 years. Total demand for OPEC exports by 1987 should be in the order of 43.1m barrels a day.

OPEC's forecast production capacity of 50m barrels a day by that date leaves room to meet this demand as well as its domestic consumption of about 5m barrels a day.

# Dock site likely for News International

BY JOHN LLOYD

NEWS INTERNATIONAL, publisher of the Sun and the News Party—running in Camden, is likely to locate its headquarters at the disused London Docks, in the London borough of Tower Hamlets, following breakdown of negotiations with Camden Council for a site behind St. Pancras station.

The company has applied for planning permission for 1.1m sq ft of office space on a 12-acre site. Mr. Bert Hardy, the company's chief executive, said last week that if Tower Hamlets could get permission, work could start in January.

Tower Hamlets said that it was sure that it could act quickly. The planning committee still had to make a decision, but it was thought likely that it would approve it.

News International will employ between 3,000 and 4,000 people at the new headquarters, many of whom it intends to recruit locally. Tower Hamlets has some of the highest unemployment figures in the South East.

The cost of the new development is unknown. News International estimated that the Camden project would have cost about £22m, but Mr. Hardy said that the Tower Hamlets building was not comparable. It is believed that the costs may be higher.

Camden Council had delayed a decision on the project for almost a year, while the ruling Labour group was divided over the desirability of News International—whose newspapers tend

# £1.5bn cut 'needed in public borrowing'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BORROWING by the public sector in the next financial year (1978-80) will have to be reduced by between £1.5bn and £2.5bn below currently expected levels if the Government's fiscal policy and monetary target are to be made consistent, according to economists from the London Business School.

In the latest issue of the school's Economic Outlook, published today, Mr. Terry Burns and Dr. Alan Budd argue that there is still a gap between the economic objectives of Mr. Denis Healey, the Chancellor, and his actions in spite of the recent rise in interest rates.

They maintain that if the broadly defined money supply, including cash and bank current and seven-day deposit accounts, is to increase by the middle of the 8-12 per cent target range, borrowing by the public sector

will have to be held at less than £7bn, in 1979-80. This compares with the Treasury's recent estimate of £8.5bn for the period and the Business School's own projection of £9.2bn.

Consequently, the authors maintain that "some fiscal devaluation will be required to make fiscal and monetary policy consistent".

Moreover, they say that the growth of the money supply should be at the lower end of the target range if the Government wants to succeed in its aim of halving the exchange rate at about its present level.

The publication maintains that the money supply has grown too rapidly in the past 12 months for there to be any hope of containing the increase in earnings to 7 per cent in the present pay round, as the Government hopes.

# British Gas wins contract

BY KEVIN DONE, ENERGY CORRESPONDENT

BRITISH GAS has won a consultancy contract in Algeria to advise on automation of the Algerian gas grid and telecommunications.

A team from East Midlands Gas will carry out an engineering study for the development of the computerised control of the Algerian gas industry's transmission and distribution network.

British Gas success in Egypt last month, when it was engaged as a consultant for Egypt's first scheme to develop natural gas for household use.

The Algerian gas network has been extended rapidly over the past few years but is still controlled manually. The British Gas study is expected to take about five months to complete.

# LABOUR NEWS

# Union to press claim for spreading work at British Steel

BY CHRISTIAN TYLER, LABOUR EDITOR

THE BIGGEST steel union will this week put forward a wage claim designed to spread work in the crisis-ridden British Steel Corporation and give its members a pay rise in line with the present rate of inflation.

Leaders of the Iron and Steel Trades Confederation are asking for a deal worth 12.5 per cent. They want 8 per cent pay rise and 4.5 per cent from productivity bargaining. But this second element would be taken in the form of a shorter working week. Mr. Bill Sims, general secretary, said yesterday.

At the same time, the ISTC is preparing an instruction that no member in BSC should work more than eight hours a week overtime. It is to give the Corporation warning so that work can be rescheduled.

Mr. Sims said that overtime working had increased in recent years, in spite of the big reduction in jobs, and was running at an average of 13 per cent. Very large numbers of extra hours were being worked in some areas.

The union will insist that the contribution to productivity—

Mr. Eric Varley, Industry Secretary, "about attempts by civil servants to split the proceeds of such a saving."

This, he said, was one of the reasons why he had voted against the proposed TUC-Government pact on pay and inflation and had called for the vote on the TUC general council that led to its failure.

He said that civil servants had "interfered" with productivity bargaining by saying that no more than 50 per cent of the savings should go to the workers.

The proposed TUC-Government statement suggested a three-way split between workers, investment and consumers.

Of the new claim, he said: "It will be seen that we are still following very constructively the needs of the industry and the country, and this indeed will give to the Government the help it is seeking in any forthcoming elections." Certain other unions in the industry would be lodging much bigger demands, he said.

BSC's reaction to the claim for a reduction in standard hours will be closely watched. Only the Post Office, in the present round, has conceded a cut in the working week after industrial action by PO engineers and a special inquiry. The reduction is said to be virtually costless.

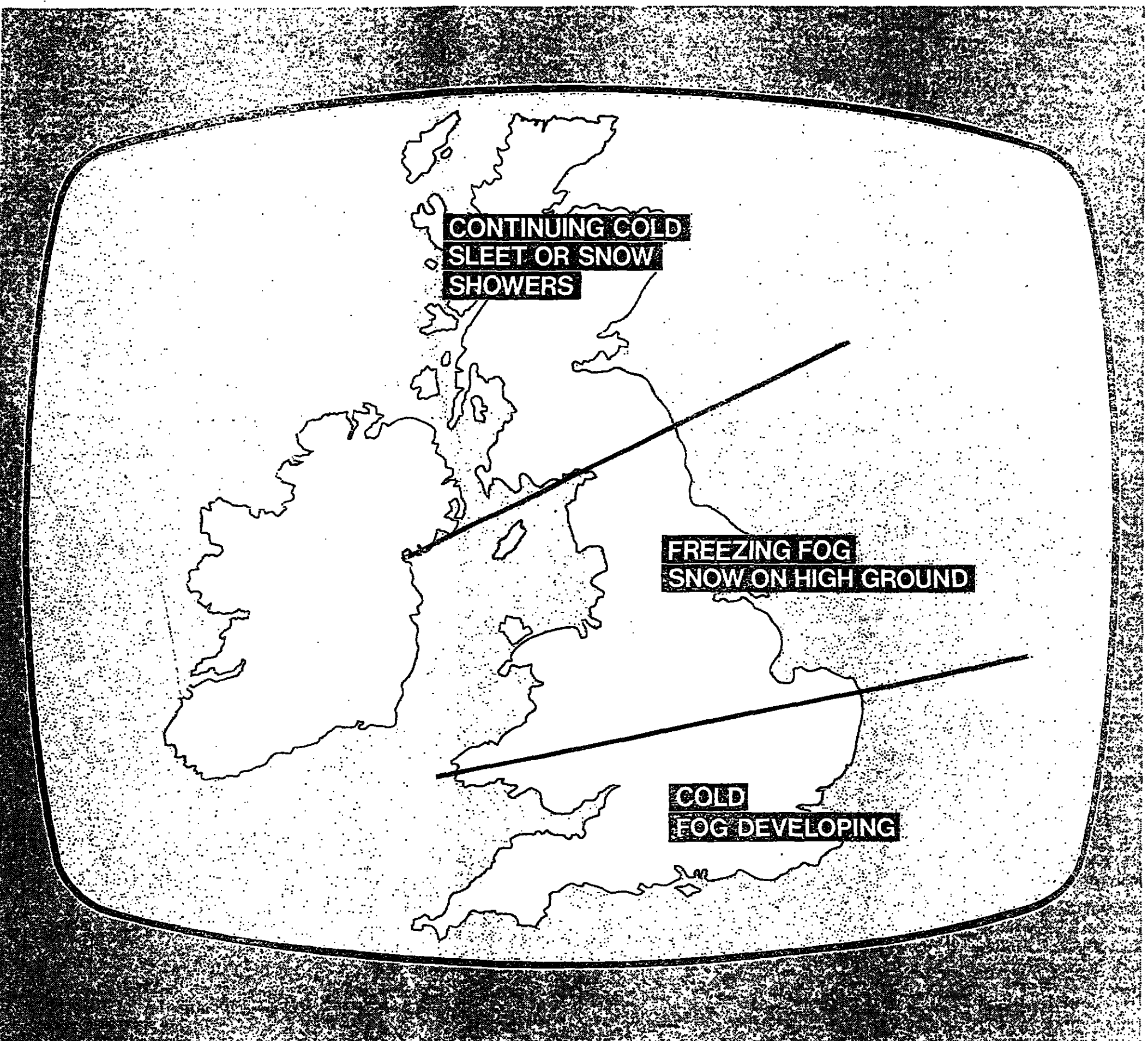
# Talks today on shipyard dispute

SHOP STEWARDS from shipyards on the Tyne and Tees are holding talks today on a dispute which is threatening a £180m order for the Swan Hunter's Tyne yard.

The stewards are travelling to the Haverton Hill yard on Tees-side where draughtsmen are refusing to release detailed drawings for a container ship. There is concern that the order for the ship will be transferred to West Germany unless

the drawings are handed over by Friday. They are needed for preliminary work for the 16,000-ton refrigerated vessel to be built for the Bank and Savill Line.

The Tees draughtsmen are refusing to hand over the drawings in protest against more than 300 redundancies at Haverton Hill. They want British Shipbuilders to transfer one of three Polish ship orders from the neighbouring Smith's Dock shipyard.



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# Building and Civil Engineering

## Big sewerage and water schemes

CAMP DRESSER and McKee, Inc. of Boston and Black and Veatch International, Kansas City, are the two U.S. companies that will act as consultants on a second stage of the Egyptian Government's project for upgrading Cairo's sewerage network.

Their appointment is seen as a condition of the £50m and pledged to the scheme by the United States Agency for International Development, and they will act in conjunction with John Taylor and Sons and Binnie and Partners, who last September presented the Egyptian Ministry of Housing and Reconstruction with a six volume report containing detailed recommendations and proposals for the project.

Britain has already offered £50m via the Ministry for Overseas Development, and the first five-year phase expected to commence early next year, is expected to cost around £300m.

Following the UK and U.S. grants, Egyptian officials state that the two countries are to share the bulk of the work which is to be put out to international tender. The long-term cost of the scheme, to the end of the century, is presently estimated to be £1,500m.

Further work in Egyptian-Hydrocarbons Development Authority (Government of Sindh) is also involved with the rehabilitation of its water supply network.

By the year 2001 the capacity of the water supply for the City of Hyderabad must be increased from its present 84,000 cubic metres a day to 2m cubic metres a day to cater for a population of 2.3m.

Apart from extending the existing water supply network, the design and supervision of the construction of two sewage treatment plants will also be undertaken by Balfour, the south-east London based consulting engineers.

At present, the city has no sewerage treatment facilities, and little sewerage. It is planned to divide Hyderabad into two drainage catchment areas, each draining into separate treatment works.

The project includes two oxidation pond treatment plants, main pumping stations, and 250 km of sewerage lines. The final effluent being utilised for agricultural irrigation.

The cost of phase one of the scheme is estimated at £20m, and the contract was awarded in Balfour by the Hyderabad Development Authority, Government of Sindh.

## £47m bank in Nigeria

INTERNATIONAL FIRMS will soon be invited to submit pre-qualification letters from which a selected six or eight companies will be chosen for a 60m Naira (about £47m) office development for the Central Bank of Nigeria in Lagos.

The project is designed by the Integrated Partnership (Lagos), in association with Widdell and Trollope, Nigeria, has been appointed as quantity surveyor and construction cost consultant for the 14-story building which will be one of the tallest in Africa.

The project is designed by the Integrated Partnership (Lagos), in association with Widdell and Trollope, Nigeria, has been appointed as quantity surveyor and construction cost consultant for the 14-story building which will be one of the tallest in Africa.

## Steel on way to Egypt

CLEVELAND Bridge and Engineering (Middle East) has just sent a first shipment of 700 tonnes of fabricated steel from its Cleveland Bridge at sub-contractors to build and Hill, is carrying out a £4m contract for the fabrication and erection of the structural steel work and steel decking for this project.

Since the Jewel Al works were opened by the Ruler of Dubai in 1975, the first instalment of an order for 4,700 tonnes for the Jewel Al works and the company Cleveland Bridge at sub-contractors to build and Hill, is carrying out a £4m contract for the fabrication and erection of the structural steel work and steel decking for this project.

## Thames flood defences

THE Southern Water Authority, supported on a 50:50 basis by the Greater London Council, has awarded a contract to John Howard and Co. for all the civil engineering works in connection with the Bedford Creek barrier which forms part of the Thames Tidal Defences Scheme.

The contract, valued at approximately £45m, is for construction in 96 weeks. Work involves the construction of the foundations and piers to accommodate a 30-metre clear span fabricated steelwork vertical drop gate.

The two main pier foundations will be constructed within sheet piled cofferdams, 20 metres x 50 metres. The main foundations, supported on a 50:50 basis by the Greater London Council, has awarded a contract to John Howard and Co. for all the civil engineering works in connection with the Bedford Creek barrier which forms part of the Thames Tidal Defences Scheme.

## PULLMAN INCORPORATED

On November 15, 1978, the Board of Directors elected Mr. S. B. Casey, Jr., Chairman of the Board and Mr. C. P. Lattin, Jr., President and Chief Executive Officer of Pullman Incorporated. Mr. Lattin has been serving as the President of the corporation's Pullman Kellogg division.

Mr. Casey said that this action is in keeping with his previously announced plan to relinquish his responsibilities as Chief Executive Officer of the company in the near future. Mr. Casey also noted that during the past nine months, Pullman Incorporated had achieved the highest earnings and revenues in its history and that this appeared to him to be the appropriate time to turn over the leadership of the company to his successor, Mr. Lattin, who has made a greater contribution than any other officer to Pullman's success in recent years.

Mr. Thomas J. Ryan, who was previously President of Kellogg International Corp in London and then Executive Vice-President of Pullman Kellogg, was elected President of Pullman Kellogg.

## £4m for Miller Buckley

CONTRACTS FOR £4m for work in the southern region have gone to Miller Buckley Construction which has recently opened an area office in Winchester, Hants.

The largest, valued at £2.2m, is an office block for the Department of the Environment at Portsmouth Naval Base.

Another contract in the south is for the temporary Crown Court at Wood Green, London costing £800,000. The Department of the Environment has awarded a further £663,000 contract for a telephone exchange at Basingstoke, Hants.

The company will also undertake office extensions and alterations at Camberley, Surrey for Ansafore.

## Warehouse and offices

BERNARD Sunley and Sons has begun a £3.4m contract to construct a warehouse and office development in North Circular Road, London, NW2, for Aerofoil Investments.

The contract is for three single-storey warehouse units with two and three-storey office accommodation. The scheme will provide a floor area of 205,000 sq ft to be divided into various lettable units. Completion is planned for March 1980. The architect is Alan Cooke Associates.

## Work at Heathrow

A NEW three-storey office block is to be built for the British Airports Authority at Heathrow under a further contract worth more than £2m awarded to John Living Construction. The company is already carrying out extensive work at Terminal 2 as part of a scheme to improve passenger services at Heathrow.

Under this contract an office block with industrial bays at ground-floor level is to be built close to Terminal 3. It will be a concrete-framed steel framed building on concrete foundations, clad in curtain walling with aluminium windows and facing brickwork. It will have a total floor area of about 51,700 sq ft (4,800 square metres).

## Nottingham housing project

DEVELOPMENT FOR private residential purposes at a local authority-owned site of nearly 13 acres on the west side of Nuffield Road, Nottingham, is to be undertaken by William Leach (Midlands).

The £2m scheme calls for a nearly 150 detached houses of about six different types. The builders hope to make start early in the New Year and to complete the whole project in two and a half years.

## Lovell gets work worth over £1.8m

LOVELL Construction Group has been awarded four contracts totalling more than £1.8m.

The largest (£597,000) is for the refurbishment and renovation of houses in Lint Road, Chelsea, for the London Borough of Kensington and Chelsea.

Another contract is at the Padlocks Clinic, Aylesbury Road, Princes Risborough, Bucks, for Vadden House. About £552,000 is to be spent on extensions and alterations.

## Wates £2m jobs

CONTRACTS IN excess of £2m have been awarded to Wates Special Works. The company has negotiated further office refurbishment work at the eastern end of Oxford Street, London, for the London and Manchester Assurance Company.

Low central heating and hot water plant, with connections to existing systems on the six storeys of a building known as Evelyn House, form part of the £2m contract on which work has already commenced.

## Cubitts in Midlands

IMPROVEMENTS TO the Birmingham County Council in Newton Street, under a £983,000 contract, are to be carried out by Cubitts Midlands.

Alterations include new heating, air conditioning, electrical and water installations and completion is planned for mid-1980.

## Wates £2m jobs

Under another recent contract Holland, Hannen & Cubitts (Midlands), also a member of the Tarmac Group, is to build a 2,120 square metre supermarket at Kingswinford, West Midlands, for International Stores.

The £345,000 contract calls for the basic building shell comprising a single storey sales area, with administrative offices and storage to the rear on a first floor.

## Wates £2m jobs

A third Midlands contract at Lichfield Street, Wolverhampton, covers the refurbishing of offices for the Mid-shires Building Society. The Design Group for Industry will provide all professional services.

## £6m award for new factories

CONSTRUCTION OF 63 factory units for Milton Keynes Development Corporation at Blakelands North is to be started soon by Robert Marriott (French Kier Group).

The £6m contract calls for concrete foundations and floors with steel frame superstructures. Some of the units will include two-storey offices. Total floor area of the new factories will be 29,000 square metres.



## £8.2m hospital in Chester

BOVIS CONSTRUCTION has been awarded the contract to build Chester District General Hospital, shown above, which is expected to become the first of the advanced 'nuclear' hospitals to open in Britain.

Worth approximately £8.2m, at today's values, the contract follows the successful completion earlier this year of the major part of the £41m Royal Liverpool Teaching Hospital, which was handed over to the Mersey Regional Health Authority in time for the first patient intake in October 1978.

## Industrial buildings

WORK IN the Midlands, South Wales, the Home Counties and the north-west, has gone to R. M. Douglas Construction, part of the Douglas Group.

The company will build 25 factories at Halefield for the Teiford Development Corporation, valued in excess of £1.5m. Two advance factories at Rastan, for the Welsh Development Agency, bring in more than £1m, and the company is undertaking development at Barry for BP Chemicals, and a factory for Remploy at Ffosfach.

## Breakers need less power

CONVENTIONAL pneumatic paving breakers incorporate a valve of the spool or plate type. The spool type, while more expensive to produce than the plate type, is generally more efficient in air consumption, but past attempts to combine the energy saving characteristics of spool valves with the cost benefits inherent in plate valves, have failed because the physical characteristics of resultant designs have suffered from premature failure due to fatigue at the interface between spool and plate sections.

## Building Society Office

A NEW branch office for the Leeds Permanent Building Society is to be built in Gadsby Street, Bradford, under a contract for £750,000 won by the Tolly Building Group.

The four-storey building, in local Yorkshire stone, will include a banking hall and offices while on the ground floor there will be two shop units.

## Gives good finish

WAX-FACED chipboard which can be employed as re-usable shuttering is being marketed under the name Scotform.

It is stated that providing a suitable mould release agent is used a predictable and repeatable finish can be obtained. The shuttering is said to leave the concrete surface exceptionally clean and internal walls are left almost ready to paint and to free from grain imprinting and splinters.

## Road link in Telford

COMPLETION of a £13m road link on which work is just beginning in Telford, Salop, is expected by October next year. Telford Development Corporation has awarded the contract to Galliford and Sons, of Hinkley, Leics.

The new stretch of road will link the roundabout with the Randle interchange, providing direct access to the centre of the town from the eastern approach, with an eventual further link to the proposed M54.

## IN BRIEF

- The English Industrial Estates Corporation has announced that work has started on an advance factory of 10,000 sq ft for the Department of Industry at Pilsford Road, Bury, Gt. Manchester, under a contract worth about £195,000 awarded to Tarmac Construction.
- Export orders for three warehouses, together worth in excess of £1m, have been placed with Fairclay Engineering by a food distributing company in Saudi Arabia. All three structures are single-storey portal-framed buildings.
- Four contracts for piling and civil works, with a total value of £230,000, have been awarded to West's Piling and Construction Company, part of the WGI engineering group. The projects are on the Isle of Grain and at Littlebrook, Kent, and in London, at Lambeth and the Surrey Docks.
- Mechanical, electrical and lift services for a "wheelchair hotel" in Llandudno are to be provided under a £400,000 contract awarded to Donald Smith Seymour and Rousey. Work has begun on converting and extending the West Shore Hotel for its new use under the auspices of the John Grooms Association for the Disabled.
- Construction of six different facilities at Priory School, Weston-super-Mare, will be undertaken by Marples Ridgway under a £400,000 contract. Called for are a 1,083 square metres classroom block, 190 square metres science block and kitchen and dining room.
- Cradle Runways, of Dartford, Kent, has manufactured and installed three electrically operated roof trolleys for exterior glass cleaning at the Diamond Trading Centre, 17, Charterhouse Street, London EC1. The main contractor is Trollope and Colls.
- The London Borough of Camden has awarded a £823,000 contract to Willment Bros. for the construction of three floors of offices over an existing single-storey warehouse and showrooms in West End Lane, Hampstead, London.
- The right shutter, at the right price, at the right time. Shutter Doors Limited, Wharf Road Industrial Estate, Pinxton, Notts NG16 6LE. Tel: Ripley 871081 Telex No. 377370

## Atkins busy in W. Algeria

THE WS Atkins Group has been awarded a £34m consultancy commission by the Algerian Ministry of Higher Education and Scientific Research to design and supervise the construction of an 800-bed teaching hospital at Tiemcen in western Algeria.

This follows the announcement in May of a commission for design and construction supervision of a university complex at Tiemcen to cater for 8,000 students, and brings to over £100m the present capital value of work at this location for which Atkins is now responsible.

The substantial architectural work involved in the latest project will be carried out by Atkins in-house architectural practice, AG Sheppard Fiddler and Associates, working in collaboration with Cusdin, Burden and Howitt. Gleeds are the quantity surveyors.

The teaching hospital is expected to take eight years to complete, with construction planned to start in 1981.

## Material producers' campaign

THOUGH THE controversial "CABIN" and-nationalisation campaign now seems to be taking a temporary breather, the building material producers are not letting up in their own "low profile" fight against the Labour Party's proposals.

The materials sector has throughout 1978 been conducting its campaign through the Building Materials Information Committee (BEEMIC), part of the National Council of Building Materials Producers. While it agrees wholeheartedly with the CABIN opposition to any form of state ownership, it has been keen to put its own case before a rather different way.

## Four hours protection from fire

No free balloons and other for BEEMIC (which admits it has not the resources of CABIN) but a steady, behind-the-scenes programme of education pointed out so much at the general public as at people like the authors of the original Labour Party document which has provoked all the fuss—"The Little Brown Book" as it is best known within the industry. The campaign of will withstand temperatures up to 600 degrees C, says the trade union officials, MPs and Ministers.

Basil Gwyn, chairman of the BEEMIC management committee, says the material producers feel the need for a defence strategy based on their well-documented report "The Need for Building Materials" because much of the Labour document concerned itself with what it believed were the failings of the original Labour Party document, including safety and job security, and they wished to concentrate on the areas directly affecting them.

## Bison work in the North

THE SCOTTISH division of the Bison Group, Bison Concrete (Scotland) is undertaking three shops and office developments in the industry, including Glasgow and Aberdeen, Glasgow and Sunderland for a total value of nearly £300,000.

The two-storey office block in Aberdeen will be built for British Rail. Bison Concrete admits that all is not well with the industry but is adamant that nationalisation is not the answer. BEEMIC is heartened by support among Ministers and MPs of all parties but it is continuing in its efforts to make sure the proposals don't get off the ground.

## CONTRACTS AND TENDERS

### Electricity Supply Commission of Malawi

### Nkulula Falls 'B' Hydro-Electrical Scheme

## Notice of invitation to tender

### Supervisory Control and Data Acquisition Equipment

The Electricity Supply Commission of Malawi invite registration of interest in contract NBP 3/A which covers the supply and installation of supervisory control and data acquisition equipment associated with the Nkulula Falls 'B' Hydro-Electric scheme.

The scope of works includes the establishment of a processing system suitable for providing data processing, VDU display, control and recording facilities at Blantyre System Control Centre, which SCADA links to operations at Nkulula, Lilongwe, A. Lilongwe 'B' and Machinga. Additional SCADA links are required between Nkulula generation control centre and Tedzani Power Station and associated intake works.

Power line carrier equipment for the transmission of data between remote sites is existing or will be provided under a separate contract.

Completion of the works is required by early 1981. It is expected that the tender for the contract will be financed by Kreditanstalt für Wiederaufbau and local costs will be undertaken by the Electricity Supply Commission of Malawi.

To prequalify tenders must demonstrate previous experience in the supervisory control of equipment on electrical power systems over power line carrier radio and/or pilot wire communication channels. Registration of interest in tendering tender documents together with evidence of previous experience, should be submitted to the United Kingdom representatives of the Commission's Consulting Engineers: Kennedy and Donkin, Premier House, Woking, Surrey GU21 1DG, United Kingdom.

Issue of tender documents to all qualified firms is expected by 15th January 1979, and a period of 12 weeks will be allowed for tendering.

## SULPHURIC ACID WILL BE PURCHASED BY AZOT SANAYII T.A.S. GENERAL DIRECTORATE

- 1—AZOT will purchase totally 122,500 metric tons sulphuric acid (90% more or less at AZOT's option) 12,000 metric tons on FOB basis and 110,500 metric tons on C+T basis, for the requirement of:—Samsun Plants of Azot Sanayii T.A.S.—Yarimca and Sariseki/Ikenderun Plants of Gübre Fabrikalari A.S. (Fertiliser Factories).
- 2—Sealed offers should be mailed or handed over to our General Directorate latest December 11th, 1978, up to 17.30 (5.30 pm).
- 3—Bidders may obtain the specification for the sulphuric acid from the following addresses, free of charge:—Commerce Department of Azot Sanayii T.A.S. General Directorate İzmir Caddesi No. 35 Kızılay/ANKARA (Telex No. 42336 Azot tr)—Purchasing Department of AZOT SANAYII T.A.S. Rihim Caddesi Çiraci sok. R. Han No. 36-30 Kat. 2 Karaköy/İSTANBUL—Gübre Fabrikalari A.S. General Directorate Esat Sokak No. 10 Etiler/İSTANBUL.
- 4—Since AZOT is not governed by the law No. 2480, AZOT is completely free in holding or cancelling this bidding, awarding any company or placing orders with several companies.

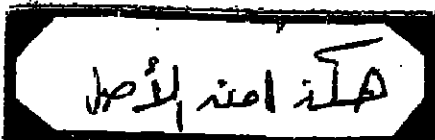
AZOT SANAYII T.A.S. GENERAL DIRECTORATE

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## EMPRESA NACIONAL DE ELECTRICIDAD S.A.

U.S. \$ 26,000,000  
TEN YEAR FLOATING RATE LOAN



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Agents

BANQUE LOUIS-DREYFUS

SEPTEMBER 1978



مكتبة الأصغر

# If you work all hours, Sony gives you something you have always wanted. More hours.

Now you don't have to make a choice between spending time working and spending time watching television.

You can do both, with the aid of the new Sony Betamax home video recorder.

It adds up to three and a quarter hours to your day by allowing you to watch interesting television that you otherwise would have missed.

All you have to do is connect Betamax into the back of your colour television and your aerial into the back of Betamax.

Then, before you go to work, set the built-in digital clock to record the programme of your choice.

While you're beaver away

Betamax will switch itself on, record up to three and a quarter hours of television, and then switch itself off.

You can set your Betamax in advance to record a programme that's on up to 72 hours later. Enough time to have a business dinner on the one hand, or a trip to Brussels on the other.

Betamax will even record off one channel as you are watching another. Happily this means you can enjoy the programmes you want to watch, without missing the programmes you ought to watch.

Of course there are things on television you can well do without. Who wants to watch even the funniest commercials over and over again?

Here's where the twenty years of experience that Sony have gained in the commercial video field comes into its own.

Betamax is supplied with a remote control switch that allows you to edit out commercials from the comfort of your armchair.

It is also extremely easy to maintain.

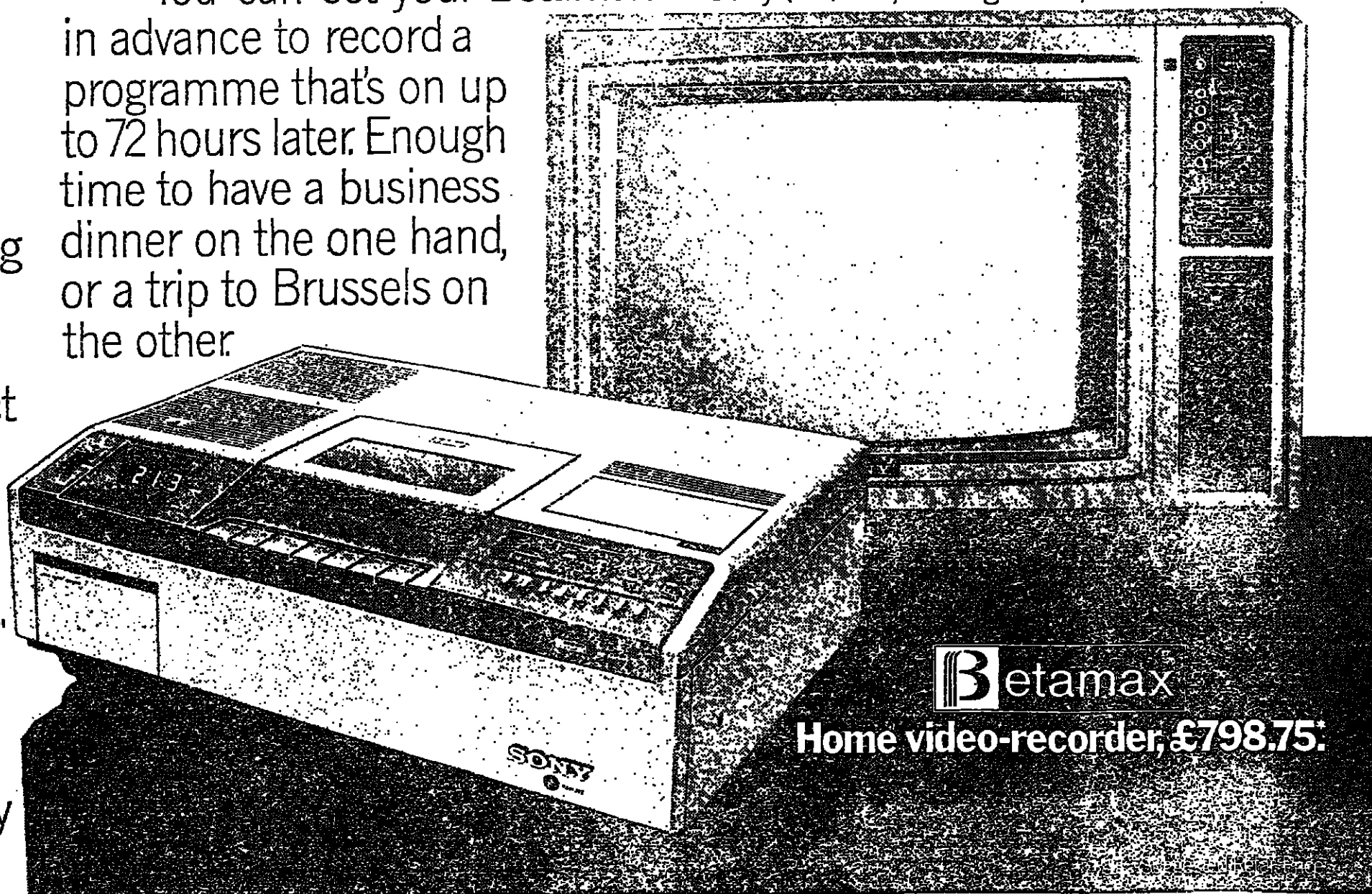
And it's backed up by a Sony service network exclusively created for video recorders.

If you have ever complained that you never seem to have the time to watch television please give this number a ring: 01-434 1713.

The person at the other end of the line will be only too pleased to tell you more about the machine that makes time for you.

**SONY**

Sony (UK) Ltd, 134 Regent St, London W1R 6DJ



**Betamax**

**Home video recorder, £798.75**

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# The Executive's and Office World

مكتبة الأعمال

EDITED BY CHRISTOPHER LORENZ

## A way for shipowners and bankowners to stay afloat

BY IAN HARGREAVES

THE MIND of the banker and the mind of the shipowner are often assumed to be different in type, the one cautious, thorough, and figure-conscious, the second somewhat dashy, impulsive and fascinated with the operational side of the business.

### Becoming aware

On either side of this reliable banker-shipowner type are the more popular figures of the shipping tycoon who plays the spot market for all it's worth and feels insulted if a bank approaches for a loan demand, too much information about his operations, and the banker who is interested in money, but not ships.

Perhaps it is because we are in the middle of the most severe shipping recession within living memory that it is the solid centrists who catch the eye today. But shipowners and bankers are becoming increasingly aware of

the need to understand each other's business. A useful contribution towards implementing this process is a book from Mr. Costas Grammenos, Bank Finance for Ship Owners, published by Ship Press, Cardiff, £5/8/10.

Mr. Grammenos is principally a banker; he served for many years with the National Bank of Greece, but—since he is Greek—he is also intuitively (and through experience) a shipping man.

The Greeks are not known as shipping bankers. Most Greek owners have preferred to deal with financial institutions in the U.S., Britain and Japan. The Greek banks have a place, but not as large as their merchant marine fleet—the third largest in the world—might justify.

So it is unusual that it should be a Greek banker who is pinning a rather obvious gap in the industry's reading list.

Underlying almost every page of Mr. Grammenos's book is this message to bankers: learn about shipping before you get involved and employ a loan officer who can understand the detail of higher prices as well as the broad sweep of economic theory.

Although he takes views, for example on the need to provide stringent and clear rules for the managing bank in a syndicated loan, this is not so much a treatise as a text book. It is a step by step course for the banker who would be a shipping banker, angled for purposes of illustration towards the tramp shipping sector and the financing of second-hand ships.

Mr. Grammenos starts by analysing the shipping cycle and goes on to term loans, credit analysis, vessel operation, ship prices and syndication finance.

On the last point, he warns the small bank which takes a stake in a ship syndication deal that it must not rely on the bigger participants to make the right decisions, but must make efforts to understand shipping finance for itself. This book would not be a bad starting point for a bank official in such a position.

With over \$40bn of shipping debt in the world, a substantial slice of it incurred during a boom which some banks all too plainly failed to understand, this latest educational tool is to be welcomed.

If, rather than a text book, the reader prefers a case history, he could do worse than look at *From Cape to Cape*.

*The History of Lyle Shipping* (Paul Harris Publishing, £7.50).

This is the work of three archivists, headed by John Orbell, who is head of the business records advisory service of the Business Archives Council. It is a story of a century of struggle with adversity coupled with the spirit to expansion and provides business detail while avoiding dullness.

Lyle Shipping is now, like all bulk shipowners, very much in the adversity phase, although its diversification into offshore oil interests has come as a growth point just as many other changes in direction have helped it find a way through hard times in the past.

### Welcome addition

*The International Safety Guide for Oil Tankers and Terminals* (Withering, £15) is hardly suitable for a Christmas stocking, but is still a most welcome addition to the wide range of technical publications jointly produced by the Oil Companies International Marine Forum and the International Chamber of Shipping.

It offers a complete guide to sound practices for the handling of tankers at sea and at port and succeeds in describing the nature of the many hazards involved in the operation without unnecessarily complicated terminology. For this reason, it should be particularly useful as a training tool for seamen and port operators whose first language is not English.

This is less true of two other books: *A Techno-Economic Analysis of the Port Transport System* by Junichi Inokita, visiting fellow at St. Antony's College Oxford (Sageo House, £19) and *Time Charter by Michael Willford, Terence Coghlin and Nicholas J. Healy* (Lloyd's of London Press, £18), which will appeal to academically minded port operators and shipping lawyers respectively, but not to the general reader.

In a slightly different category is *Lloyd's Nautical Yearbook 1979* (Lloyd's of London Press, £5.50), which, as well as providing a manual of essential legal, technical and navigational matters, also this year has features on subjects like the birth of the diesel engine.

For an extra 40p you can even have your name or the name of a recipient embossed in gilt calligraphy on the navy blue cover.

Nicholas Leslie explains why moving a company can be tougher than you think

## Planning can save a lot of heartache

A VERY long property lease on favourable terms can be ideal for many companies, since accommodation may then be relegated to the bottom of the list of priorities demanding management time.

One danger, though, is that the expiry date of a lease can easily be forgotten. Management may wake up one day to the awful realisation that in an uncomfortably short space of time the company and its employees are going to be homeless.

It therefore follows that a regular appraisal of property needs and of the terms of any leases is advisable. So, too, is the need to have some broad plan in mind for finding new accommodation and to allow sufficient time to implement it.

Furness Withy, the shipping, travel and insurance group, has just come through the occasionally traumatic experience of finding a new home for a number of its operations and employees. Not that its position was ever desperate, but it does

admit that the full implications of the expiry of one of its leases was not entirely appreciated until quite late in the day. And although the company was not facing a situation of being "out on its ear," it was keenly aware that if it had overstayed its welcome an amicable and long-standing relationship with the landlords—Lloyds, the insurance group—might have been damaged.

### Terminated

Fortunately Furness Withy was sufficiently aware in 1975 that one of its London leases could be terminated in 1977 to appoint a property manager, Mr. David Skeel, and set him the task of appraising the group's needs. That was two years before any physical move might be required, but it proved to be barely time enough to finalise a relocation plan.

Furness Withy's lease covered 25 years from 1956, but Lloyd's had an option to terminate the contract in June, 1977. Lloyd's

could give no indication of its intention. In 1975, it was obvious we needed a contingency plan that could be implemented if Lloyd's terminated," says David Skeel.

At that time, the group was still rather loosely knit, with its component companies having considerable autonomy and little contact with one another. This, and other factors, led Skeel to the conclusion that to organise a relocation was too complicated a task for just one person and in March 1978 he recommended using a firm of consultants. Out of a short list of three, Space Planning Services was chosen.

A first task was to assess the current and future needs of the companies involved in the move. This was particularly necessary since the nature of shipping activities was changing and this had led to a decision to bring the ship operating divisions progressively in closer contact.

SPS then assessed what the total space requirement would be in Furness Withy's head-

quarters building. Furness Withy, if the activities displaced from the Lloyd's building were to be concentrated there, this took into account the fact that there would be some savings as a result of better utilisation of space and of merging common services, but that catering facilities would be desirable. The outcome was that there would be a sizeable shortfall in space.

However, a series of developments solved the problem, though not without one major hiccup. This was that some 27,000 square feet of space that had been sublet but which had reverted to Furness Withy after having been modernised, had been put on the market. This, theoretically, could have been used, but a very good offer was made for it. Faced with this dilemma, good fortune came from early realisation of the need to plan for a move to its being implemented, with necessary work completed, had taken over 31 years. Surely a clear illustration of the critical need for forward planning.

It had not proved possible to plan for the work to be completed within the six months' notice period but the move of those activities in the Lloyd's building in Furness House has nonetheless effected smoothly. Modernisation work continued into this year, which meant that from early realisation of the need to plan for a move to its being implemented, with necessary work completed, had taken over 31 years. Surely a clear illustration of the critical need for forward planning.

Furness Withy was still just short of its required space when the move again stepped in to the

### EXECUTIVE HEALTH

BY DR. DAVID CARRICK

## A mechanical cuff on the pulse of the nation

WHEN I was a small boy, I recall the delights of visiting a shoeshop. My enthusiasm was due to one of those X-ray machines which permitted one to see one's toes writhing in a green and magical light through the leather.

It was a marvellous gimmick that, and doubtless sold many shoes. Such fleeting monetary profits, alas, proved less attractive when, after some years, those machines were withdrawn because of the very great danger they presented, not to the customers, but to the assistants who spent every day in the vicinity of these poorly protected devices which leaked considerable doses of damaging radiation.

Now we have a new toy which, in some respects, could prove just as dangerous in a very different manner. I refer to the "serve yourself" fully computerised blood-pressure machine.

The user, having thrust his or her arm through a mechanical cuff, watches fascinated a

flickers on and off, until the systolic and diastolic blood pressure appear on a lighted dial. The cost is 50p.

Doubtless, a renouncement will soon be added whereby a mechanical voice will "speak your blood pressure" and, maybe, churn out a horseshoe into the bargain. So far, the customer has to be content with a card claiming to be "My Personal LIFE SAVINGS ACCOUNT" into which the nurse in charge enters the date and the result.

Also supplied is a rather pretty pamphlet which contains many sensible comments warning one that if the machine reckons the blood pressure to be high, a physician should be consulted. "Normal" and "borderline" figures are given and there are several other soothing comments. The latter pale into insignificance by such cost statements as "Untreated high blood pressure is a killer."

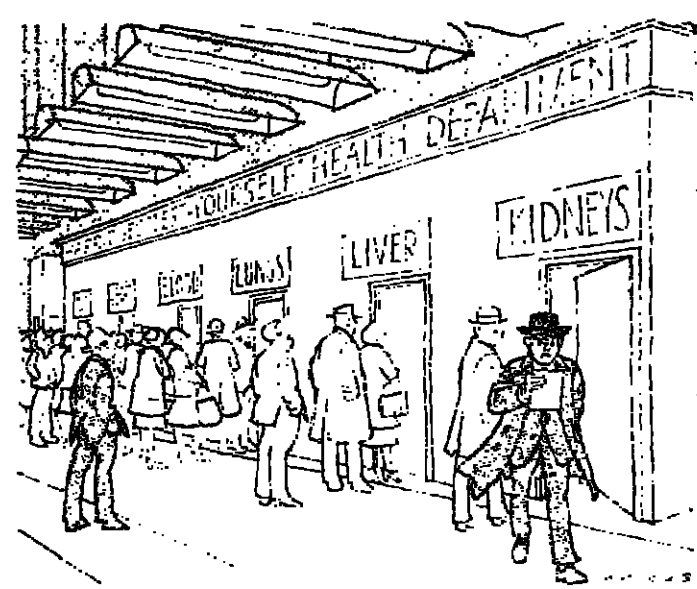
One cannot really argue with much of what is done or written. But one can—and I certainly do—argue against the desirability of procedures that can cause anxiety without supplying an answer for allaying it—no, not even for another 50p.

Small, private do-it-yourself blood pressure machines have

been available for several years. These are dubious of value if a patient is suffering from malignant hypertension or some similar condition which is being treated by a physician who considers such monitoring to be of importance. But any hypochondriac can purchase one and frighten himself as often as he likes, if he has the money to treat himself to such a stress-making engine.

Other instruments are being advertised also. Recently I saw a "full refund if not completely satisfied" offer in a Saturday newspaper for stethoscopes which were said to be essential for medical students and car mechanics. It was mentioned also that there are many other uses for such devices. Indeed, and one can think of a few. Certainly a stethoscope must be much superior to the old glass-tumbler method for listening through thin walls.

Surely we have enough trials and tribulations in this world as it is without buying methods likely to increase despondency and add yet more stressors to our much stressed lives? British Rail commuter services are surely enough to cause frustration, fury and frenzy coupled with the creation of penury, ineptitude to delight the young may be suffering. Without valetudinarian. This, around doubt, bumper fun



Now Christmas is fast-paced by one of those vulgar approaches with all its expense, fun and frolic. There is no longer provoke just time for some bright entrepreneur to make up a splendid diagnostic kit for the kiddies to "amaze their friends." I will even offer a free ruler. "The Little Hypochondriac," the black plastic bag of tricks making a jolly stock-infiller to delight the young may be suffering. Without valetudinarian. This, around doubt, bumper fun

## Some pubs take your breath away.



Weekend at the local. The usual crush at the bar. The babble of today's disputed goal and last year's holiday abroad. The heady mixture of smoke, stale beer and eau de cologne crowd the atmosphere. Time to clear the air. Xpelair fans will do the job efficiently, economically and unobtrusively, year in, year out.

Xpelair make window, wall and roof fans with tough, reliable motors and automatic back-draught shutters as standard. They carry a 2-year guarantee and a full service back-up.

Wherever you live, work or relax, Xpelair lets you breathe much easier.

**We do it in the nicest possible way.**



For full details of Xpelair extractor fans and air-change calculations, write to: Publicity Department, GEC-XPELAIR LIMITED, P.O. Box 220, Deykin Avenue, Winton, Birmingham B6 7JH. Telephone: 021-327 1984.

## Which building society pays extra interest for just three months' notice of withdrawal?

## The Leicester.

Leicester Investors can get the best of both worlds with a Tempus Account. Extra interest and withdrawal facilities (subject of course to the rules of the Society). It's ideal if you want to put money aside for planned purchases.

Call in at any of our 160 branch offices and ask for details.

Leicester Building Society, Chief Office: Gaby, Leicester, LE2 4PF

**EVEN MORE INTEREST FROM DEC. 1st.**  
Tempus rate increased to **8.25% = 12.31%** if you pay tax at the basic 33% rate









## A loan from your NatWest bank manager will turn you into a big businessman.

Seeing your business grow bigger gives your NatWest bank manager a lot of personal satisfaction.

It's one of the ways he can see the results of his knowledge, training and skill.

That's why he's itching to help you.

With the right kind of loan, for instance.

A bigger business, sooner or later, will need bigger or improved premises.

He can arrange a NatWest Business

Development Loan to take care of that. Longer term financial requirements are no problem either as NatWest own a Merchant Bank, County Bank.

And short-term money based on your debtors can be arranged through Credit Factoring International. If your business could do with some financial inspiration, ask your local NatWest bank manager. He'd like that.

**Just ask him.**



**NatWest**

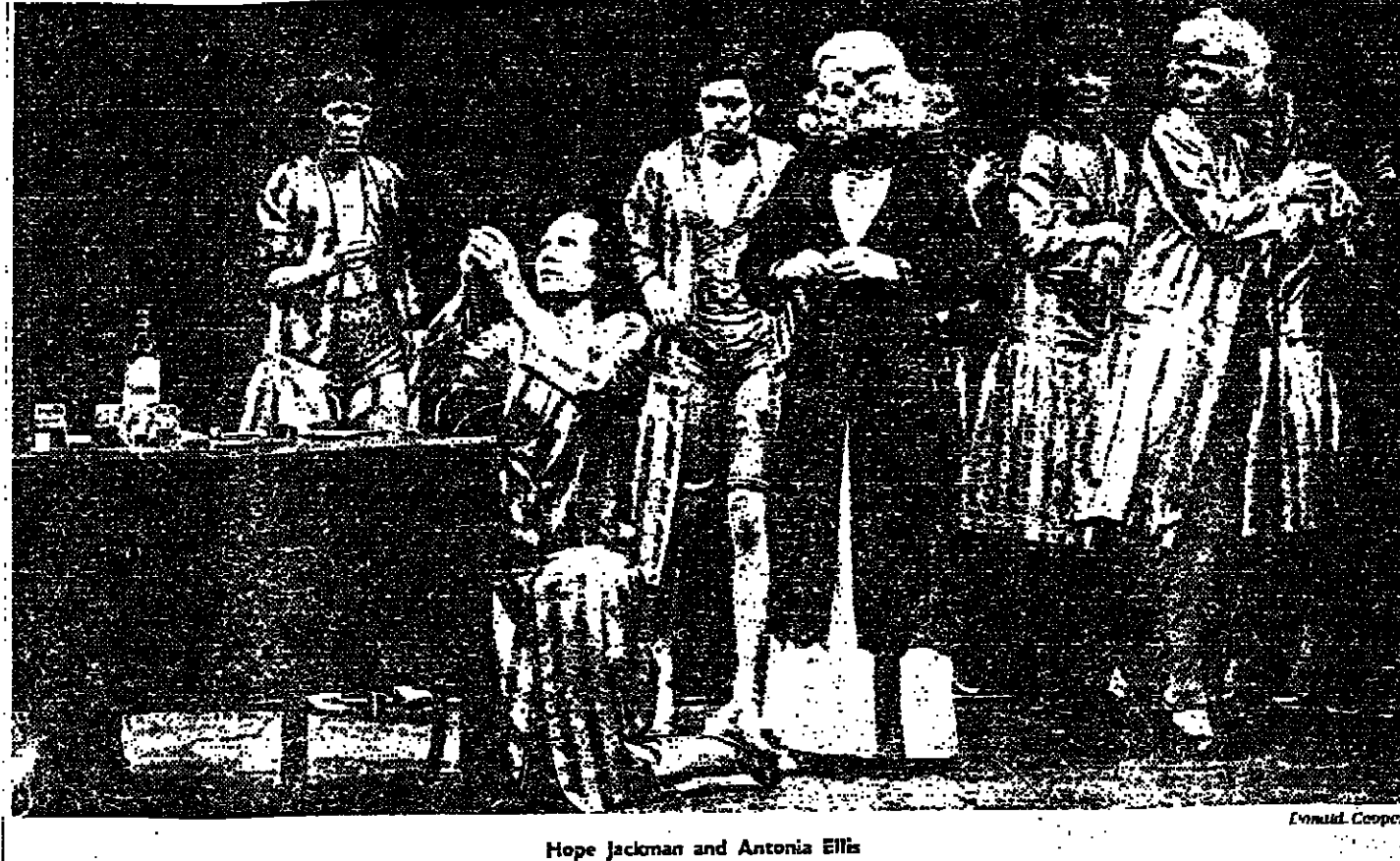
NATIONAL WESTMINSTER BANK GROUP: FULL BANKING SERVICES INCLUDING BUSINESS DEVELOPMENT LOANS, FOREIGN CURRENCY DEALING AND EXPORT FINANCE, PAYROLL AND COMPUTER SERVICES (CENTRE FILE LTD), REGISTRAR AND ISSUE SERVICES, DOMESTIC AND EXPORT FACTORING (CREDIT FACTORING INTERNATIONAL LTD), MERCHANT BANKING (COUNTY BANK LTD), LEASING AND INSTALMENT CREDIT (LOMBARD NORTH CENTRAL LTD), INSURANCE BROKERS (NATIONAL WESTMINSTER INSURANCE SERVICES LTD), CORPORATE TRUSTEES (TRUSTEE DEPARTMENT), COMPUTER OUTPUT TO MICROFICHE (EUROCOM DATA LTD)



# Frankenstein!! by DAVID MURRAY

H. K. Gruber is scarcely a household name even in his native Austria, and it is hardly surprising that the Royal Liverpool Philharmonic in bringing him over as soloist, or *chamberlain*, in the new *Frankenstein*—a pantomime of the baroque and grotesque—is a member of the Vienna Philharmonic, a celebrated institution in the "die Reihe" of the *Wiener Musikvereins*. For more than 17 years, and now also in the Austrian Radio Symphony, Gruber and his colleagues of the "Wiener Musikvereins" have performed a vast repertoire of music, but none more since the mid-1960s than a defiant, almost defiant, but militantly prepared to accept the listener's judgement, the *Frankenstein* of the *Wiener Musikvereins*. The current issue of Tempo magazine has devoted a large section to Gruber and his colleagues, but on a smaller page, a review of the *Frankenstein* by David Murray.

The current issue of Tempo magazine has devoted a large section to Gruber and his colleagues, but on a smaller page, a review of the *Frankenstein* by David Murray.



Hope Jackson and Antonia Ellis

## Crucible, Sheffield

While West End managements of hundreds of thousands of pounds into self-indulgent productions like *Crucible* and *Shogun*, the Sheffield Crucible has been a success that ought to be repeated in London—and one's appetite is whetted for Gruber's recent Violin Concerto too. *Frankenstein* is a sort of comic, but it is not a comedy. It is a tragedy, and it is a tragedy that ought to be repeated in London—and one's appetite is whetted for Gruber's recent Violin Concerto too.

# Chicago by B. A. YOUNG

she has not the same capacity for single idea as to serve the whole. The dancing, to choreography by Gillian Gregory, is enchanting. The dancing, to choreography by Gillian Gregory, is enchanting. The dancing, to choreography by Gillian Gregory, is enchanting.

## New York ballet

# Dowell and Barishnikov by DAVID VAUGHAN

The Joffrey Ballet has more than any other American company, a fact that says much not only for Robert Joffrey's taste but also for his powers of persuasion. The Joffrey Ballet has more than any other American company, a fact that says much not only for Robert Joffrey's taste but also for his powers of persuasion.

# Hoppla! wir leben! By B. A. Young

This is not Ernst Toller's tragic play of 1927, described in the programme as a new, revised edition. It is a play that was written by Ernst Toller in 1927, described in the programme as a new, revised edition. It is a play that was written by Ernst Toller in 1927, described in the programme as a new, revised edition.

Within these limits, then, the songs are attractive in their sinister way. The songs are attractive in their sinister way. The songs are attractive in their sinister way. The songs are attractive in their sinister way.

# Our Hunting Fathers by MAX LOPPERT

Bernard Haring has an un-English name, but his *Our Hunting Fathers* is a masterpiece of the English language. Bernard Haring has an un-English name, but his *Our Hunting Fathers* is a masterpiece of the English language. Bernard Haring has an un-English name, but his *Our Hunting Fathers* is a masterpiece of the English language.

## ENTERTAINMENT GUIDE

- OPERA & BALLET**
  - COVENT GARDEN: 12.30, 7.30, 9.30. *Madama Butterfly*. 12.30, 7.30, 9.30. *Madama Butterfly*.
  - ROYAL OPERA HOUSE: 12.30, 7.30, 9.30. *Madama Butterfly*. 12.30, 7.30, 9.30. *Madama Butterfly*.
- THEATRES**
  - ADOLPH THEATRE: 12.30, 7.30, 9.30. *Madama Butterfly*. 12.30, 7.30, 9.30. *Madama Butterfly*.
  - ROYAL OPERA HOUSE: 12.30, 7.30, 9.30. *Madama Butterfly*. 12.30, 7.30, 9.30. *Madama Butterfly*.
- CINEMAS**
  - ADOLPH THEATRE: 12.30, 7.30, 9.30. *Madama Butterfly*. 12.30, 7.30, 9.30. *Madama Butterfly*.
  - ROYAL OPERA HOUSE: 12.30, 7.30, 9.30. *Madama Butterfly*. 12.30, 7.30, 9.30. *Madama Butterfly*.

### My Cup Ranneth Over

by MICHAEL COVENEY

Success came relatively late to Robert Patrick, one of the few, and certainly one of the liveliest, of the mid-60s Off-Off Broadway survivors. Mr. Patrick wrote *Kennedy's Children* and he spends much of his time travelling all over the world to bask in his own glory. He still finds the odd moment, however, to lose of the odd play, and here is the British premiere (at lunchtimes) of a sparkling two-hander about, you guessed it, the shock of sudden success.

Paula, a would-be journalist who has plattered her clients with collection slips from *Con-*

Mikhail Barishnikov and Patricia McBride in the 'Rubies' section of Balanchine's *Jewels*.

## Riverside appeal fund

Riverside Studios, Hammer-smith, has launched an appeal fund to consolidate its position as West London's centre for the arts. Just ten months after opening as an arts centre, the former BBC television studios now attracts 2,500 people a week with a wide range of music and drama as well as cinema and children's events.

The appeal is aimed at the private sector with the objective of opening more of the building to the public and ensuring that the quality of performances can be maintained. A restaurant with river views is also proposed.

Sir Hugh Willatt, chairman of the Riverside Arts Trust, said the fund had already raised £122,500. The Riverside Arts Trust is a registered charity and its funds are used to support the arts in the area.



The Application List for the Ordinary shares now offered for sale will open at 10 a.m. on Thursday, 30th November, 1978, and will close at such later time on the same day as County Bank Limited may determine.

Copies of this Offer for Sale, having attached thereto the documents specified below, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary share capital of Harris Queensway Group Limited ("the Company") to be admitted to the Official List.

This Offer for Sale contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

# HARRIS QUEENSWAY GROUP LIMITED

## Offer for Sale

by

## COUNTY BANK LIMITED

of

**5,000,000 Ordinary shares of 20p each at 155p per share  
payable in full on application**

The shares now offered rank in full for all dividends hereafter declared or paid on the Ordinary share capital of the Company

### Share Capital

#### Authorised

£3,600,000 in 18,000,000 Ordinary shares of 20p each

#### Issued and now being issued fully paid

£3,000,000

### Indebtedness

On 31st October, 1978 the Company and its subsidiaries ("the Group") had outstanding term loans of £258,398 secured by mortgages on certain properties of the Group. Save as aforesaid and apart from inter-company liabilities, on 31st October, 1978 the Group had no loan capital outstanding or created but unissued, and no outstanding mortgages, charges, borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

### Selected Information

The Group is a retailer of carpets and household furniture. It operates 129 carpet shops, mainly in high streets or shopping centres, of which 102 trade in England and Wales as Harris Carpets and 27 trade in Scotland as Ross Carpets. It also operates 23 Queensway discount stores mainly in London, East Anglia and Scotland.

Further information about the Group's business is set out under "Business".

The Group's trading results for the five financial years ended 24th December, 1977 were as follows:—

Year ended December	Turnover £'000	Profit before taxation £'000
1973	2,951	335
1974	4,857	605
1975	9,265	1,147
1976	14,694	1,696
1977	29,822	1,585*

\*The profit before taxation for the financial year ended 24th December, 1977, which included approximately £192,000 attributable to the disposal of property, was adversely affected by the acquisition in July, 1977 of Queensway Discount Warehouses Limited which was not at that time trading profitably.

During the 26 weeks ended 24th June, 1978 the Group earned profit before taxation of £2.3 million, including approximately £370,000 attributable to the disposal of property, on a turnover of £23.1 million.

Further financial information about the Group is set out in the Accountants' Report.

The directors forecast, on the basis of the assumptions set out under "Information relating to the profit forecast", that in the absence of unforeseen circumstances the Group's profit before taxation and extraordinary items for the year ending 23rd December, 1978 will be not less than £5.3 million, including approximately £500,000 attributable to the disposal of property.

The net tangible assets of the Group as shown in the audited consolidated balance sheet at 24th June, 1978, adjusted to reflect the net proceeds of the issue of new Ordinary shares, amounted to £5.14 million.

On 31st October, 1978 the Group had deposits and credit balances at bank of £1.4 million and had total borrowings of £258,398.

At the Offer for Sale price of 155p per share the total value of the share capital issued and now being issued is £3.25 million.

On the bases set out under "Appropriation of Profit", excluding profits on disposal of property, the price earnings ratio at the Offer for Sale price would be 9.45.

On the basis of the illustration set out under "Appropriation of Profit", the gross equivalent dividend yield of the shares of the Company at the Offer for Sale price would be 7.51 per cent.

The following information concerning the Group has been received by County Bank Limited from the directors of the Company:—

### INTRODUCTION

The present Group is based on the carpet retailing organisation built up by the Chairman of the Company, Mr. Philip Harris. The Company was incorporated in 1957 to acquire the Harris family's three carpet and linoleum shops in South London. From 1961 the Company expanded steadily by the opening of new branches mainly in South East England. 18 'Keith Royle' carpet shops were purchased from the Combined English Stores Group in 1974 and their trading name changed to Harris Carpets, bringing the total shops operated by the Company to 54. By the middle of 1977 the Company was operating 93 carpet shops under the name of Harris Carpets.

In July, 1977, the Company acquired Queensway Discount Warehouses Limited ("Queensway"), a major retailer selling household furniture and carpets through 30 edge-of-town discount stores. At the time of its acquisition it was incurring trading losses but the directors of the Company were confident that, under the strong management control which the Group could provide, Queensway would be restored to a position of earning substantial profits.

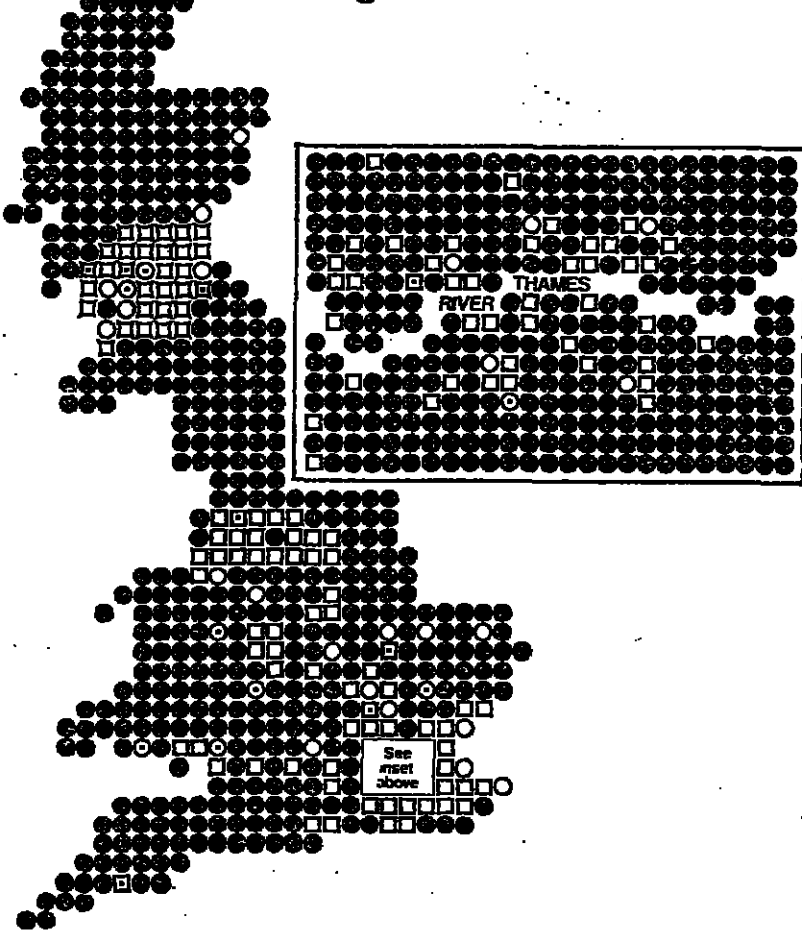
The acquisition of Queensway was of considerable significance to the Company for several reasons. It marked its entry into furniture retailing as well as more than doubling turnover and substantially increasing the profit potential of the Group. It also linked two distinct retailing concepts serving the home furnishings market, namely high street shops and edge-of-town discount stores.

The operation to integrate the two companies and to establish Queensway as a profitable organisation, which necessitated the closure of 7 unsuitable discount stores, was substantially complete by January, 1978. In May, 1978 a new Group head office was opened in Orpington, Kent.

The Group's chain of carpet shops was further expanded in May, 1978 with the acquisition of one of the best known carpet retailers in Scotland, J. Ross & Co. (Carpets) Limited ("Ross"), a major retailer selling household furniture and carpets through 20 shops operated by Ross. The 29 shops operated by Ross have been integrated into the Group's carpet retailing organisation. Appropriate changes of trading name have been made to certain shops to give effect to the Group's policy of trading under the name of Harris Carpets in England and Wales and Ross Carpets in Scotland.

The Group's chains of carpet shops and discount stores are amongst the largest U.K. retailing organisations in their respective fields. Both have considerable scope for further expansion.

### Diagram of Branch Network



**HARRIS** **QUEENSWAY** **ROSS**  
☐ existing ☐ existing ☐ existing  
☐ planned ☐ planned ☐ planned

### BUSINESS

The Group is a retailer of carpets and household furniture. Turnover is currently divided approximately equally between carpet shops and discount stores, carpet sales accounting for approximately 60 per cent. of turnover and furniture sales for approximately 40 per cent.

#### Carpet Shops

The Group operates 129 carpet shops of which 102 trade in England and Wales as Harris Carpets and 27 trade in Scotland as Ross Carpets. The total selling area is approximately 287,000 square feet.

Shops offer a wide range of competitively priced carpets, sales being largely in the middle and lower price ranges. All sales are paid for prior to or on delivery and over 85 per cent. are settled in cash. No credit is granted by the Group although certain credit cards are accepted and hire purchase facilities can be arranged for customers through consumer credit companies.

The location of shops is of considerable importance to the Group's carpet retailing policy. They are almost invariably situated in prime locations either in high streets or shopping centres, and adjacent to major multiple retailers. Such sites attract a substantial flow of customers and do not therefore require the support of advertising. Selling areas of shops are normally between 1,000 and 4,000 square feet.

Shop fronts and interior displays are standardised throughout the chain of carpet shops and are designed to create bright, well lit branches which display a wide range of carpets attractively and in which the customer will find it easy and pleasant to shop.

The Group's policy is to provide a wide selection of carpet which is available from its warehouse stock, whilst offering an additional selection, mainly of more expensive carpets, on special order. The shops hold almost no stock, displaying samples only. Approximately 60 per cent. of sales are of carpets carrying the Group's own brand names. Although branches offer traditional Axminster and Wilton wool carpets, a high percentage of sales is of carpets made from synthetic fibres. The carpets currently offered from stock comprise approximately 50 ranges, each of which is available in seven designs or colours at prices of between £1.99 and £9.99 per square yard. The Group aims to provide a variety of colours and designs at each price level including carpets made specially to its own design and quality requirements.

A high standard of service has always been regarded as of major importance. Shop staff are trained to offer assistance to customers in a courteous and efficient manner and orders are processed quickly—normally cut lengths of carpet arrive in the shop within

### Directors

**Philip Charles Harris (Chairman)**  
Harris House, 76 High Street, Orpington, Kent BR6 0LX.  
**Hugh Ridley Sykes (Deputy Chairman)**  
Harris House, 76 High Street, Orpington, Kent BR6 0LX.  
**David Joseph Stockwell**  
Harris House, 76 High Street, Orpington, Kent BR6 0LX.  
**Kingsley John Elton**  
Harris House, 76 High Street, Orpington, Kent BR6 0LX.  
**Graham Stanley Povoas**  
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

### Secretary and Registered Office

**Howard William Hancock Ellis FCA**  
Harris House, 76 High Street, Orpington, Kent BR6 0LX.

### Principal Bankers

**National Westminster Bank Limited**  
30 Tooting High Street, London SW17 0RG.

### Brokers to the Company

**L. Messel & Co.**  
P.O. Box 521, Winchester House, 100 Old Broad Street,  
London EC2P 2HX.

### Joint Solicitors to the Company

**Park Nelson, Dennes, Redfern & Co.**  
11 Essex Street, Strand, London WC2R 3AF.

### Solicitors to the Issue and Joint Solicitors to the Company

**Travers Smith, Braithwaite & Co.**  
6 Snow Hill, London EC1A 2AL.

### Auditors and Reporting Accountants

**Price Waterhouse & Co.**  
Chartered Accountants  
Southwark Towers, 32 London Bridge Street, London SE1 9SY.

### Registrars and Transfer Office

**National Westminster Bank Limited, Registrar's Department.**  
P.O. Box 82, 37 Broad Street, Bristol BS99 7NH.

3 days and fitting, if required, is completed within 5 days of order. If the customer so requests, a specialist estimator prepares a plan of the carpet to be laid. Branches use self-employed carpet fitters from whom a high standard of work is required.

### Discount Stores

The Group operates 23 Queensway discount stores mainly in London, East Anglia and Scotland. The total selling area is approximately 694,000 square feet. The stores sell household furniture and carpets currently in the proportion of approximately 25 per cent. carpets to 75 per cent. furniture, of which lounge furniture accounts for approximately 28 per cent., beds and bedroom furniture 25 per cent., dining room furniture 12 per cent. and kitchen furniture 10 per cent.

The stores, the majority of which are on one floor, have selling areas of between 8,000 and 35,000 square feet and are located on edge-of-town sites which are easily accessible. This enables the Group to trade from large premises with good parking facilities, at rents which are considerably lower than in town centres.

The siting policy requires that each store is supported by substantial advertising through local newspapers, radio and television. Expenditure on advertising in the year ending 23rd December, 1978 is expected to be £1.4 million (approximately 3 per cent. of turnover) divided about equally between press and broadcasting.

Although the discount stores have been designed in the 'warehouse' style, considerable care is taken to create a pleasant atmosphere and to display merchandise in an attractive manner. This is achieved by good lighting and heating, carpeting of display areas and the use of 'room-sets' around the perimeter of the sales floor where the ranges of bedroom, dining room and kitchen furniture are displayed. The central part of the showroom is normally used to display lounge furniture and beds and also contains the carpet department.

Because of the size of the stores the Group can display a larger range of merchandise than most other furniture retailers; for example the central selling area may contain up to 100 suites of lounge furniture and 30 models of bed. The stores offer furniture in a wide price range although the bulk of sales is in the middle price bracket. Three-piece suites are stocked in prices ranging from under £200 to £700. The ranges of carpets are identical to those sold by the Group's carpet shops and in addition stores offer a selection of end of roll remnants.

The Group's principle of high quality service is maintained in the discount stores. Since a high proportion of furniture sold is available from stock the goods are generally received by customers within 7 to 10 days from purchase. The discount stores apply the same payment and credit policies as the carpet shops.



# HARRIS QUEENSWAY GROUP LIMITED

## Warehousing Carpet

A basic policy of the Group is the supply of carpet to its carpet shops and discount stores from centralised warehouses. Retail outlets hold almost no stock and carry out no cutting operations, thus eliminating an area of inefficiency common in the industry. The ability to offer a wide range of carpet which can normally be delivered to the shops and discount stores within 3 days has resulted from the creation of first class warehousing and cutting facilities. The Group currently operates three warehouses totalling approximately 120,000 square feet of which two are in Orpington, Kent and one in Barking, Essex. Almost all carpet stocks are held in these warehouses and each has high speed cutting equipment. The Group uses Darnley cutting machines which cut to a tolerance of 1 per cent., thereby minimising waste. The cutting capacity available to the Group in existing warehouses is approximately 13,000 cut lengths per week, whilst average usage is currently running at approximately 9,000, with peaks of up to 11,000 cut lengths per week.

Cutting of carpets to meet orders received from the shops and discount stores the previous day is carried out by the day-shifts. Cut lengths are then loaded by the night-shift for delivery throughout the country the following day. Carpet for delivery to the Scottish shops and stores is transported in container lorries to the Group's depot in Glasgow, and is distributed from there in the Group's vans.

Future expansion of the Group's carpet business will require a major increase in warehouse and cutting capacity. In July, 1978 the Group entered into an agreement to lease a 157,000 square foot warehouse to be built at Swanley, near Orpington. Construction of the warehouse is now well advanced and the directors anticipate that it will be operational by September, 1979 at which time all warehousing will be transferred there. The new warehouse will be equipped with an automatic carpet handling system and will have a storage capacity of 1.8 million square yards of carpet and a cutting capacity of 22,000 cut lengths per week. Its proximity to the M2 and M20 motorways means that transport access is excellent. The Group's study of the project shows that savings in warehousing and cutting costs will be achieved on occupation of the warehouse and will become substantial as throughput increases.

## Furniture

It is not necessary for the Group to maintain a central furniture warehouse. The centralised buying system ensures that bulk purchase terms are obtained whilst the merchandise is delivered by the manufacturer to the individual stores, where approximately 30 per cent. of the total floor area is designed for storage.

## Purchasing

### Carpet

The Group is one of the largest buyers of carpet in the U.K. As a result it is not only able to purchase carpet on favourable terms but it is also able to obtain carpet made to its own quality and design requirements, which is sold exclusively by the Group's outlets.

The Group makes significant purchases from approximately 20 suppliers including most of the leading carpet manufacturers. The Group's largest supplier in the first six months of 1978 accounted for approximately 10 per cent. of total purchases.

The close liaison maintained with suppliers is of considerable importance to the Group. The directors believe that at times when supply conditions in the industry are difficult its relationship with suppliers assists the Group to obtain its requirements.

### Furniture

The Group makes significant purchases from approximately 50 manufacturers. In the first six months of 1978 its largest supplier accounted for approximately 11 per cent. of total purchases.

As a major purchaser, the Group has a relationship with certain suppliers of furniture which enables it to obtain favourable terms and to reserve, without commitment, merchandise to meet anticipated requirements for periods of up to three months. The furniture is then supplied by the manufacturer as required. This also enables the Group to plan promotions well in advance.

## Promotional Activities

Since 1973 the Group has obtained publicity from the sponsorship of showjumping and from the three showjumpers now owned by the Group, which are ridden by Mr. David Broome and maintained at his expense. The showjumpers include 'Philo' which in 1978 competed in the successful British World Championship Team. Mr. Broome, who has been associated with the Company for six years, also features in some of the Group's publicity material. At 24th June, 1978 the showjumpers were stated in the Group's books at £111,578 and are being written off over three years. The Group's involvement in showjumping will continue whilst the directors are satisfied that the expenditure is merited by the publicity achieved.

## MANAGEMENT AND STAFF

It has always been central to the Group's management policy that incentives are provided to employees at all levels so that enterprise and achievement are properly rewarded.

The directors believe it essential that all levels of shop and store related management should maintain contact with the retailing operation and accordingly senior management spend much of their time visiting the Group's outlets and many, including a number of the directors, spend some time each month serving customers.

Management control is achieved through a system of area managers who are responsible for the performance of shops and stores within their area. Shop managers are responsible for branch performance and the welfare of the staff under their supervision. On 31st October, 1978 the Group had 1,314 employees of whom 954 worked in the Group's shops and stores, 111 in the warehouses and 249 (96 of whom were part time) in the accounting and administration departments. Staff relations have always been good.

Following a corporate reorganisation in November, 1978 all the Group's trading is carried on by the Company's three subsidiaries, Harris Carpets Limited (Harris Carpets), Queensway and Ross, as agents for the Company. For management purposes certain senior managers of each division have been appointed directors of the appropriate subsidiaries. The directors of the Company and senior management are as indicated below.

## Directors

Mr. P. C. Harris, aged 39, is executive Chairman of the Company. On the death of his father in 1957 Mr. Harris left school to take over the running of the family's three shops in South London. Since that time he has been responsible for assembling and leading the team of management which has built up the Group.

Mr. H. R. Sykes, MA LLB CA, aged 46, has been a non-executive director of the Company since August, 1977 becoming Deputy Chairman in October, 1978. He has had wide experience of both the financial and management aspects of industry and, besides having other business interests, is a non-executive director of The Bath & Portland Group Limited.

Mr. D. J. Stockwell, aged 39, joined the Company as a director in 1971, having previously managed a graphic design company. He subsequently became Sales Director and was appointed Joint Managing Director in 1975. He is now Managing Director of Harris Carpets.

Mr. K. J. Elton, aged 33, joined the Company in 1964 as a salesman. He subsequently became a store manager, an area supervisor and then Sales Director. He was appointed to his present position as Managing Director of Queensway in November, 1977.

Mr. G. S. Poyons, FCA, aged 37, joined the Company in February, 1978 as Group Finance Director. He was previously Finance Director of Bowater Carpets Limited, a subsidiary of The Bowater Corporation Limited.

## Senior Management

Name	Age	Position
Harris Carpets		
R. G. Prole	48	Director—Shop Display
D. V. Popley	38	Director—Personnel
E. L. S. Wright	36	Director—Sales Administration
H. F. L. Fanc	37	Regional Director
A. J. Shortland	32	Regional Director

Queensway		
W. E. Bailey, BA MBA	33	Director—Advertising and Promotions
S. C. Calcraft	58	Director—Furniture Sales Administration
R. F. Houchin, BA	30	Director—Furniture Purchasing
C. J. Hott	31	Director—Carpet Sales Administration

Ross		
A. Behar	31	Managing Director
J. Ross	46	Sales Director

Head Office		
H. W. H. Ellis, FCA	44	Company Secretary
D. Fieldhouse, ACA	35	Group Accountant
T. G. Watson	38	Group Estates Manager
G. J. Deal, BSc	31	Group Operations Manager
B. I. Clarke	33	Group Buyer

## PROPERTIES

The Group's policy is to maximise the use made of its financial resources by operating mainly from short leasehold properties although freehold and long leasehold properties may be purchased in certain circumstances.

### Carpet Shops

The Group has 129 carpet shops, most of which have selling areas ranging from 1,000 to 4,000 square feet. 6 shops are freehold, 2 are long leasehold (over 50 years) and 121 are short leasehold, normally for an original term of 20 years or more. The total current annual rental on leasehold property amounts to approximately £1.2 million.

### Discount Stores

The total floor areas of the Group's 23 discount stores range from 10,000 to 80,000 square feet, except that the store at New Malden, Surrey, has a total floor area of approximately 120,000 square feet including a selling area of some 55,000 square feet. 3 stores are freehold, 1 is long leasehold and 19 are short leasehold. With the exception of 1 property, all the short leasehold properties have leases with an unexpired term in excess of 13 years. Rent reviews usually take place every 5th or 7th year. The total current net annual rental on the leasehold properties amounts to approximately £1 million.

As a result of the reorganisation which followed the acquisition of Queensway, 4 short leasehold stores are currently not being used for trading. 3 of these properties are to be disposed of and 1 has been sub-let. The total net annual rental on these properties amounts to £140,750. The directors consider that adequate provision has been made for anticipated losses where appropriate.

## Warehouses

The Group operates 3 leasehold warehouses, 2 of which are situated in Orpington and 1 in Barking. The warehouses, which vary in size from 37,000 to 45,000 square feet, were each leased for an original term of 25 years with 5 year rent reviews. All the leases have unexpired terms of more than 21 years and the total current annual rental amounts to £211,325. The Group also has a depot of approximately 22,000 square feet at East Kilbride, Scotland which was leased on 28th November, 1972 for a period of 99 years at an annual ground rent of £2,000 with 15 year reviews.

A new warehouse is currently being built for the Group at Swanley. The total area will amount to approximately 157,000 square feet and a lease will be entered into for a term of 25 years with 5 year rent reviews at an initial annual rental of approximately £300,000. It is anticipated that this will be ready for occupation in September, 1979. The warehouse at Lagoon Road, Orpington will then be disposed of and, subject to the Group obtaining the necessary consents, the Barking warehouse will become a Queensway discount store and the existing carpet showroom attached to the Sevenoaks Way, Orpington warehouse will be extended.

## Head Office

The Group's head office, Harris House, Orpington is a new office block of 27,270 square feet leased from 25th December, 1977 for a term of 25 years with 5 year rent reviews at a current annual rental of £160,000.

The Group also has a lease of the offices at Norwich previously occupied by Queensway. This lease, which has 16 years to run with rent reviews every 5 years and is at a current net annual rental of £17,000, is to be disposed of.

## Valuations

The carpet shops owned by the Company on 24th December, 1977 were valued on that date by Smith Melzak & Co., surveyors and valuers, on the basis of open market value with their existing use and vacant possession. This valuation, which revealed a surplus of £743,000 over book value, has not been incorporated into the Company's accounts and additions since that date have been included at cost.

Smith Melzak & Co. valued on the same basis the properties owned by Queensway as at 11th July, 1977, the date of acquisition, and the properties owned by Ross and Park as at 7th August, 1978. The aggregate value of approximately £2.5 million has been incorporated into the Group's accounts as the acquisition cost of these assets. Smith Melzak & Co. having confirmed that in their opinion the value of the properties owned by Ross and Park at 7th May, 1978, the date of acquisition, was not materially different from their value as at 7th August, 1978.

## PROCEEDS OF THE ISSUE

The shares being offered for sale include 4,000,000 shares being sold by existing shareholders of the Company. The balance of 1,000,000 shares are new shares which, after deducting the expenses of the Offer for Sale, will raise £1.21 million of additional finance for the Company. The new capital will provide additional funds for the expansion of the carpet shop and discount store chains and for equipping the new warehouse at Swanley.

## Working Capital

On 31st October, 1978 the Group had deposits and credit balances at bank of £1.4 million. Taking into account the net proceeds of the issue and the bank facilities available to the Group, the directors are of the opinion that the Group has adequate working capital for its present requirements.

## PROFITS

### Profit Record

The profit record of the Group for the five financial years ended 24th December, 1977 and for the 26 weeks ended 24th June, 1978 is set out in the Accounts. During the five financial years ended 24th December, 1977 Group turnover increased from £3.0 million to £29.8 million and profit before taxation from £355,984 to £1.6 million.

The profit before taxation for the year ended 24th December, 1977 was adversely affected by the acquisition of Queensway in July of that year. At the time of Queensway's purchase it was not trading profitably and it was not until 1978 that the benefits of a subsequent management and administrative reorganisation were felt. Apart from its demands on the Group's management time, the acquisition of Queensway required a temporary reduction in the rate of expansion of the Group's chain of carpet shops. Furthermore, in common with other retailers in the trade, the Group suffered from depressed consumer demand in the first half of 1977.

### Profit Forecast

The Group earned profit before taxation in the 26 weeks to 24th June, 1978 of £2.3 million, including approximately £370,000 attributable to the disposal of property, on a turnover of £23.1 million. The directors forecast that in the absence of unforeseen circumstances the consolidated profit before taxation and extraordinary items for the year ending 23rd December, 1978 will be not less than £2.3 million, including approximately £300,000 attributable to the disposal of property. This forecast is made on the basis of the assumptions set out under "Information relating to the profit forecast".

## DIVIDENDS

On the basis of their forecast of profit for the year ending 23rd December, 1978 the directors intend to recommend for payment in May, 1979 a dividend of 4.5p per share (9.72p with related tax credit).

In respect of a full year in which a similar level of profit was earned the directors would expect to recommend dividends totalling 7.8p per share (11.44p with related tax credit). It is intended in future years to pay an interim dividend in November and a final dividend in May.

If current legislation regarding dividends, which expires on 31st July, 1979, is renewed in its present form the Company will not be subject to any dividend restrictions in respect of the two financial years ending 22nd December, 1979 but dividends thereafter will be subject to statutory control.

## APPROPRIATION OF PROFIT

The following table sets out, by way of illustration, how a profit before taxation of £5.3 million would be appropriated assuming taxation at standard rates and total dividends of 7.8p per share on the enlarged issued share capital of £3,000,000:—

Trading profit	2,900
Profit on property disposals	500
Profit before taxation	3,400
Less: Taxation*	2,436
Profit after taxation	964
Less: Dividends totalling 7.8p per share	1,170
Profit retained	1,484

\* Taxation has been calculated at 52 per cent. on trading profit and 30 per cent. on profit on property disposals.

On the basis of this illustration, the dividend would be covered 5.27 times by the profit after taxation and the dividend, together with the related tax credit, would represent a gross equivalent dividend yield of 7.51 per cent. on the Offer for Sale price.

On the basis of the illustration and the weighted average number of Ordinary shares which will be in issue during the financial year ending 23rd December, 1978, taking into account the Ordinary shares now being issued, the forecast earnings per share would be 18.9p. On the same basis, but excluding earnings attributable to the disposal of property, the earnings per share would be 16.4p and the Company would be valued at the Offer for Sale price on a price earnings ratio of 9.45.

Taking into account the availability of stock and other reliefs the directors expect the effective rate of tax charged on the total profits of the Group for the financial year ending 23rd December, 1978 to be approximately 44 per cent.

## PROSPECTS

The level of profit which will be achieved in 1978 is the result of the successful amalgamation of the Harris Carpets and Queensway operations coupled with a general improvement in consumer demand. It has not come from any significant increase in the number of their branches. Queensway now trades from three fewer outlets than at the time of its acquisition and excluding those acquired from Ross the number of Harris Carpets shops has increased by only four since 1st July, 1977. Considerable reorganisation has taken place in Ross since its acquisition and because it has only recently been integrated into the Group organisation it will make no significant contribution to profits until 1979.

Since the acquisition of Queensway, the directors have concentrated on creating an integrated and efficient organisation. The depth of management ability within the Group together with the centralised operations of buying, carpet warehousing and financial control have all been developed with substantial expansion in mind, and form a solid base from which this may now be achieved.

Although the Group is already one of the largest carpet retailers in the U.K. the directors believe that Group carpet sales in 1978 will represent less than seven per cent. of the U.K. domestic market. A large proportion of the carpet market is served by individual furnishing retailers who, without the Group's ability to service outlets through centralised cutting and storage facilities, are unable in the directors' opinion to compete with the Group in the range of carpet offered from stock. The Group's purchasing power also enables it to purchase carpets at significantly lower prices.

The retail furniture market is similar in character to the carpet market in that a large proportion continues to be supplied by individual retailers, whose ability to display a wide range of furniture is limited by the available floor area. The directors believe that Queensway's ability to offer an extensive range of furniture from stock in large edge-of-town stores with good parking facilities has already made a significant impact on the U.K. domestic furniture market and they are confident that the Group will continue to increase its market share. In addition, the greater buying power which will result from increased sales volume will benefit profitability.

A key factor in future expansion will be the acquisition of suitable properties. The Group has obtained or is negotiating for eight new carpet shops and eight new discount stores. It plans to open all of these carpet shops in early 1979 and, having regard to the number of properties currently under consideration and the short time scale required to bring them into operation, the directors expect further carpet shops to open before the end of that year. Six of the discount stores, with a total selling area of approximately 160,000 square feet, are planned to open in 1979. There still remains substantial scope for increasing the number of carpet shops and discount stores and the Group will benefit from increasing concentrations of discount stores in existing areas so as to take full advantage of advertising expenditure.

The directors consider that the Group's medium and long term prospects are excellent and, besides pursuing an aggressive expansion of its existing business, they will continue to examine suitable areas for expansion through acquisition.

## ACCOUNTANTS' REPORT

The following is a copy of the report of Price Waterhouse & Co. to the directors of the Company and of County Bank Limited:—

The Directors,  
HARRIS QUEENSWAY GROUP LIMITED  
COUNTY BANK LIMITED

Gentlemen,  
Harris Queensway Group Limited ("the Company"), formerly named Harris Carpets Limited, acquired the issued share capital of Queensway Discount Warehouses Limited ("Queensway") on 11th July, 1977 for a cash consideration of £2,137,000 including expenses and the issued share capital of J. Ross & Co. ("Ross") and Park Properties (Glasgow) Limited ("Park") on 17th May, 1978 for a cash consideration of £444,000 including expenses. Subsequently, the assets of these subsidiaries and their liabilities assumed by the Company, under an arrangement by which the Company now trades in three divisions—Harris Carpets, Queensway and Ross. In this report the Company and its subsidiaries are together referred to as "the Group".

We have examined the books, records and accounts of the Group for periods relevant to this report. In our opinion, the financial information set out below, which is based on audited accounts, after making such adjustments as we consider appropriate, gives a true and fair view of:—

(i) the profits and source and application of funds of the Group for the year and a half years ended 24th June, 1978;  
(ii) the state of affairs of the Group at the beginning of and at each accounting date within that period; and  
(iii) the state of affairs of the Company at 31st June, 1978.

No accounts have been prepared for submission to members since those for the 51 weeks ended 24th December, 1977. Interim accounts for the 26 weeks ended 24th June, 1978 have been prepared and audited for the purpose of this report.

## ACCOUNTING POLICIES

The following are the principal accounting policies adopted by the Group in preparing the financial information set out in this report:—

Basis of accounting  
The accounts have been prepared under the historical cost convention.

Basis of consolidation  
The Group accounts deal with accounts of the Company and all its subsidiaries made up to the same date in each year. The results of companies acquired during a financial year are included in the Group accounts from the date of acquisition.

The Group will in future prepare annual accounts up to the Saturday before Christmas in each year.

## Fixed assets

Fixed assets are stated at cost in the Group's accounts. Depreciation is made on a straight line basis. Depreciation is calculated to write off the cost of fixed assets during their expected useful lives on a straight line basis. The main rates used by the Group are:—

Freehold buildings	2%
Fixtures and fittings	15% to 25%
Plant and machinery	20%
Commercial vehicles	25% to 33%
Motor cars	25%
Showjumpers	33%

## Goodwill

Goodwill represents the net difference between the purchase consideration and the net assets, to which fair values have been attributed, of the subsidiaries at the date of acquisition.

## Stocks

Stocks are stated at the lower of cost and net realisable value.

## Taxation

Provision is made for deferred taxation at current tax rates in respect of all timing differences except those which it can be demonstrated with reasonable probability will continue in the future.

## Turnover

Turnover represents the net value of goods sold and delivered and services supplied, excluding inter-company and inter-divisional sales and VAT.

## PROFIT AND LOSS ACCOUNTS

The consolidated results of the Group for the periods under review were as follows:—

	Years ended 31st December				51 weeks ended 24th June 1978	26 weeks ended 24th June 1978
	1973	1974	1975	1976	1977	1978
Notes	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2,281	4,857	8,265	14,894	29,822	23,148
Cost of sales	2,264	4,827	8,080	14,821	28,238	21,131
Trading profit before interest	17	30	185	73	1,584	2,017
Interest received (paid)	26	(8)	(13)	4	(131)	(58)
Profits (losses) on property transactions	3	172	(13)	19	192	370
Profit before taxation	336	605	1,147	1,686	1,585	2,299
Taxation	3	127	294	591	905	1,012
Profit after taxation	208	311	816	781	1,069	1,287
Dividends	1	1	1	1	1	1
Amount added to reserves	207	310	815	780	1,068	1,286
Earnings per share	3 & 4	1.49p	2.20p	4.40p	5.55p	7.54p
					5.18p	

## NOTES TO THE PROFIT AND LOSS ACCOUNTS

### 1. Turnover and trading profit before interest

The following is an analysis of turnover and trading profit by division:—

(a) Turnover	2,281	4,857	8,265	14,894	29,822	23,148
Harris Carpets	—	—	—	—	18,164	9,846
Queensway (see note 5)	—	—	—	—	11,718	12,891
Ross	—	—	—	—	—	311
	2,281	4,857	8,265	14,894	29,822	23,148
(b) Trading profit (loss) before interest	306	620	1,185	767	1,580	1,129
Form Queensway	—	—	—	—	(23)	309
Ross	—	—	—	—	—	9
Other subsidiaries	—	—	—	—	(33)	(79)
	306	620	1,185	767	1,524	2,017

The results of Queensway, Ross and Park are included in the consolidated results set out above from the date of acquisition.

### 2. Cost of sales

Cost of sales includes the following items:—

Depreciation	13	42	85	117	308	289
Amortisation of leasehold properties	30	190	167	284	276	171
Rent payable (net)	134	218	378	629	1,282	1,051
Use of plant and machinery	1	3	5	10	88	29
Accruals remuneration	1	1	1	1	1	1
Directors' emoluments	35	48	62	62	69	48

### 3. Taxation

The charge, based on the profits of each period, comprises:—

Corporation tax	33	247	482	819	496	749
Deferred tax	34	47	39	86	20	











## FINANCIAL TIMES SURVEY

Monday November 27 1978

## Scotland

Scotland

The proposals for devolution and the introduction of a Scottish assembly raise strong passions on both sides and the result of the referendum next March will have major implications for life north of the border.

## Voting for its future

By Ray Perman  
Scottish Correspondent

TO SAY that Scotland is embarking on a year that could be as significant as 1707—as some people are doing—is probably an exaggeration. There will be nothing quite as dramatic as the absorption of the Scottish Parliament into the English. But politically and economically 1979 could mark a turning point in relations with the rest of the United Kingdom.

The year ahead will be a busy one, with elections to the European Parliament, a general election and the referendum on devolution, which we now know will be held on March 1. The incredible twists and turns in

politics north of the border over the past decade should make us cautious about assuming any results, but it is safe to say that a lot depends on the outcome.

The Labour Party has been the first to spell out its plans for the referendum, which it is taking very seriously, having decided to devote £50,000 to the campaign for a "Yes" vote. How much support the Government will give to its own policy to set up a legislative assembly in Edinburgh, is not yet clear. Ministers will be expected to abide by the doctrine of collective responsibility and support the "Yes" campaign, but how many will be prepared to take an active part in it remains to be seen.

The Scottish National Party, which is well provided with fighting funds by two substantial bequests, will also be campaigning heavily for the dramatic as the absorption of the Scottish Parliament into the English. But politically and economically 1979 could mark a turning point in relations with the rest of the United Kingdom.

Of the political parties, that leaves only the Conservatives to fight on the "No" side. At the moment they are committed to do so strongly. Mr. Norman St. John Stevas has not had enough time in his new job as constitutional spokesman on the Opposi-

## Register

For the referendum to succeed there must not only be a majority of voters in favour, but the number voting "Yes" must be equal to or more than 40 per cent of the whole electorate. The fact that the vote will be taken two weeks after the new register comes into effect will be of some help to the "Yes" campaigners, but the hurdle will be a difficult one to surmount.

If the result is in favour of a Scottish Assembly, then the first elections could be held next autumn and by this time next year the new body could be meeting to draw up its standing orders and elect its committees.

The European elections, for the eight Scottish seats and the General Election are too far away for any accurate predictions to be made of their outcome. Labour presently has a commanding lead in the opinion polls, but similar leads have been overturned before.

A Labour victory in a General Election is likely to mean an increase in the budget of the Scottish Development Agency (already promised in the Queen's Speech) and possibly legislation to give the Highlands and Islands Development Board the extra powers it has asked for to intervene in the land market where there is evidence of deliberate neglect of estates. A Conservative Government would almost certainly retain the agency, but is likely to limit its freedom to invest in private companies, and is extremely unlikely to accede to the Highlands' Board's demands.

Aspects of national economic policies are also likely to affect Scotland. A Conservative energy policy, encouraging intensive development in the North Sea, would help those companies and areas which provide goods and services to the oil industry (at least in the short term), and since the next Government will be the one which has the decision say over the spending on Petroleum Revenue Tax and other revenues from oil, a

decision on whether these should be used to boost consumer spending or provide more direct public investment in industry will have a profound effect on the development of the Scottish economy.

In the shorter term—the next few months—the Scottish economy is likely to take a more predictable path. Recently it has been enjoying a mini-boom resulting from the increase in consumer spending, the lower inflation rate and the consequent rise in real incomes.

## Settlements

This state of affairs is likely to persist for a while, particularly if, as seems likely, wage settlements are above five per cent. It will take some time before larger settlements work their effect through to prices, so the real level of spending looks set to stay ready or go on rising, even if the Chancellor decides to limit the effect by fiscal measures.

The Fraser of Allander Institute at Strathclyde University, using its econometric model of the Scottish economy, is currently predicting that overall growth in the economy could be as high as 2.8 per cent during 1978. Given a slightly different view of some of the parameters, this is approximately the same figure predicted for the UK as rates.

a whole by the London Business School.

The Institute believes that unemployment could go on dropping until next March. What happens to the figures after that time will depend not only on the path of the economy, but also on the number of school leavers. Over the next five years there is likely to be a growth in the number of school leavers, reflecting the high birth rates of 15-20 years ago.

The Institute's relatively optimistic outlook is unusual. Last year its forecasts were marked by pessimism. But it should be pointed out that the new, brighter view is not universally shared. The latest CBI trends survey for Scotland showed that although there was a significant fall in the number of firms working below full capacity (from 64 to 56 per cent), employers did not expect any increase in manufacturing employment. Some 83 per cent of respondents said they had adequate capacity to meet expected demand and a further three per cent said that although their capacity was inadequate, they did not intend to increase it.

Confidence about future investment slumped back to its low level at the beginning of the year and can be expected to have fallen further in response to the latest increase in interest rates.



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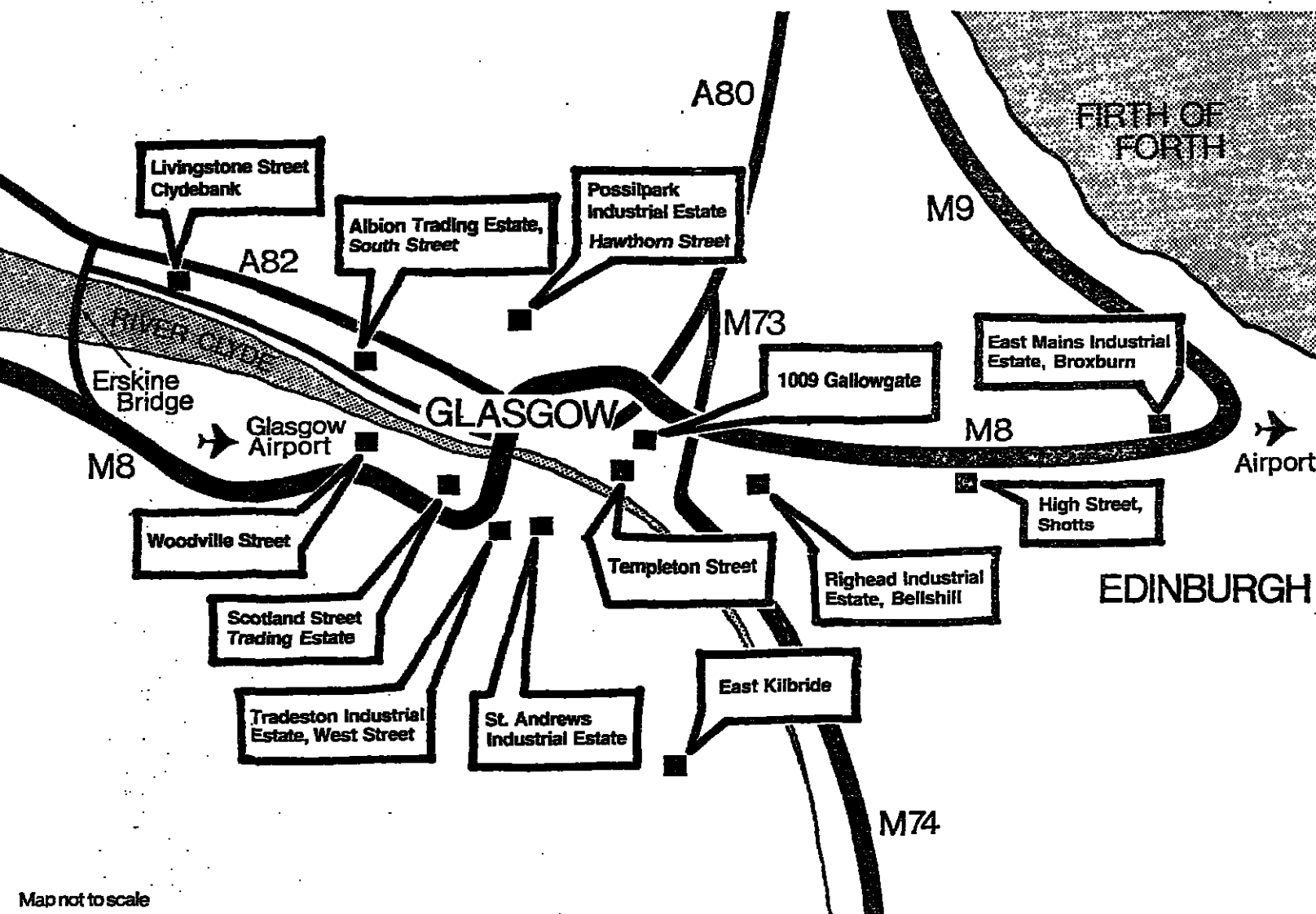
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Map not to scale

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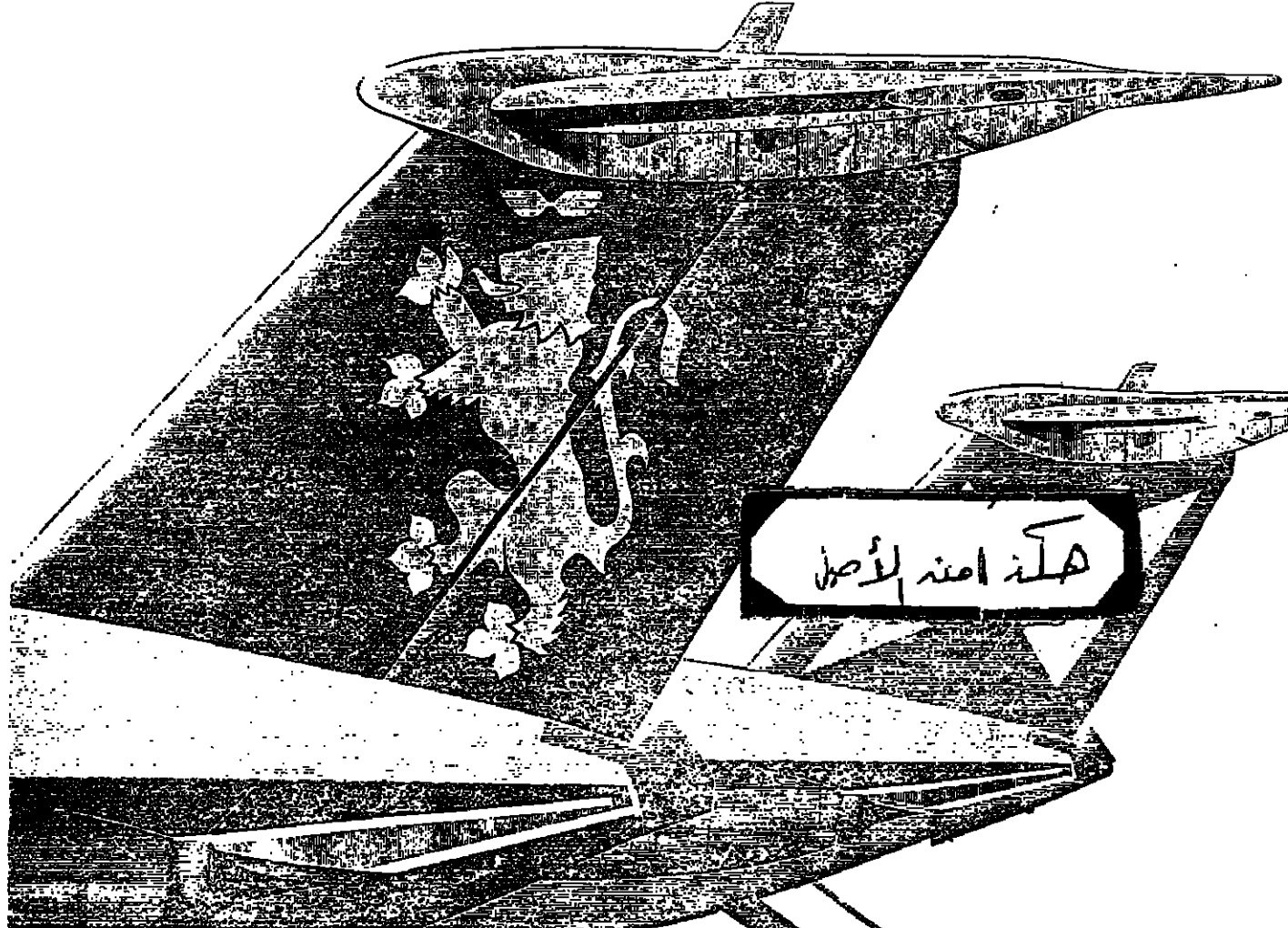
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THE SIGN OF SCOTLAND'S INDUSTRIAL GROWTH



# Devolution debate warms up

FOR A SCOT to admit that he will be glad to see the arrival of St. David's Day is unusual, especially as the admission comes just a few days before his own patronal festival of St. Andrews. But the Welsh festival coincides next year with voting day on devolution and the whole business community in Scotland will be enormously relieved to have got through the weeks between now and March 1.

The majority of industrialists have little sympathy for the principle of a devolved Scotland. Anything that even hints at another layer of bureaucracy is widely opposed and there is a general feeling that a Scottish assembly would lead to even more diffusion in the decision-making process. This considerable weight of opposition might be concentrated in Glasgow and the industrial heartlands of Scotland around the Clyde but it is almost as universally felt along the east coast and among those in the Highlands.

This feeling is held despite the fact that business will not be directly affected by any Scottish assembly. Economic, trade and industrial questions will continue to reside with the central government at Westminster and therefore be dealt with as far as Scotland is concerned by the Scottish Economic Planning Department. The Scottish Development Agency will certainly become an arm of any assembly but that might be considered a stabilising factor. Industry and commerce now know how, and in what fashion, the SDA works and there is considerable respect among business for the way it has gone about its operations. So this could be said to be a stabilising factor.

## Uncertainty

Industry, however, does not quite see it that way. To begin with, it feels that the 13 weeks between now and March 1 will be a period of considerable uncertainty. Although the Fraser of Allender Institute has shown that the Scottish economy is growing at a faster rate than at any time since 1972 the Scottish Council of the Confederation of British Industry takes a less optimistic line. It believes that investment intentions have dropped back after a summer surge, that early summer optimism about export prospects has had the edge taken off it, that there has been a loss of price competitiveness following the strength of sterling and that there is little likelihood of any increase in manufacturing employment.

The Fraser of Allender report is not thought to be wrong about where the economy is going so much as misguided at the speed with which it is going forward according to the CBI. Uncertainty is the key word among its members. Industry is also concerned that any Scottish assembly would be dominated by the Labour Party. Some think the party could account for as many as three-quarters of the seats; others that a Labour majority will be a perpetual feature and even if industrial matters are not part of the assembly's initial remit because of the close links between an assembly and a Labour Government in Whitehall there will inevitably be a eventual transfer of such powers to Edinburgh.

## Attitudes

The mild flirtation that many businessmen appeared to have with the SNP a couple of years ago also appears to have petered out. As the SNP has slipped in the opinion polls so attitudes towards it on the boardroom have hardened. This does not mean that business is any less keen on establishing a presence in Scotland. One of the features of the past half a dozen years has been the way in which the bigger industrial concerns and banks have opened representative

offices in Scotland in order to keep themselves informed on the spot of developments in the economy. This group has been joined only recently by a Swiss bank and there is no sign that this source of interest will dry up.

The overwhelming consideration in opposition to an assembly remains that it would produce an extra layer of government and therefore impose extra costs, many if not most of which would have to be borne by industry.

The Government has admitted, in its White Paper on devolution, that more civil servants will be needed but anti-pathies goes further than this. It is feared there will be more regulations, more delays, more consultations, more intervention in business affairs. Whether these fears prove eventually to be groundless or well substantiated the plain fact is that they exist and they now colour all discussions that go in within organisations such as the CBI and the chambers of commerce.

## Popular

Another tangible fear is that much of the progress Scotland has made over the past two or three decades will be dissipated as a result of the coming into being of an assembly.

Scotland has benefited enormously from the building-up of the Scottish Office and the enhanced role played within the cabinet by successive secretaries of state. Not without justification it is felt that Scotland has done extremely well from national policies, certainly rather better than the north of England, for instance. The Scottish Office is generally popular within business, even if there are some very vocal complaints, and with both the Scottish Economic Planning Department and the Scottish Industrial Advisory Board strongly represented in Glasgow the industrial sector of the economy feels that it has received a very fair share of government attention.

If there are still enormous problems to be overcome then these are a continuing reflection of the way in which the industrial base still reflects so much of a past that has disappeared. Scotland casts envious eyes at the way in which Wales has managed to attract the bulk of the inward flow of Japanese investment and would like to share a little of that gravy. The decision of Hitachi to go to the North East of England before it was forced to withdraw altogether was a serious disappointment.

In compensation, Scotland has managed to attract more American investment than any comparable part of assisted Britain. These newcomers have been, in the main, high-technology oriented and have contributed substantially to the country's national income. The trouble is that it takes several newcomers to equal the closure of one old-fashioned 19th century-based industry and there are still more closures to come in the latter part of the century.

The Scottish Council (Development and Industry) and the Scottish Development Agency are only too well aware of this and are making great efforts along with others to sell Scotland as a base for new American enterprise. There are good grounds for believing that part of the development of the micro-chip industry will go to Scotland. But attracting new industry is a never-ending business and will continue to play a major part in the lives of a lot of people.

There is one rider to be added to the general Cassandra-like attitude towards devolution and this rider might be important in softening the opposition of some people before polling day. It is the realisation that Scotland is being offered something by Westminster and that no offer as substantial as devolution ought to be turned down out of hand without considerable thought being given to it. It is too soon to say whether this might influence more than a handful of votes. But it might.

Anthony Moreton

# Exporting successes

THE CLAIM that Scotland consistently outperforms the rest of the UK in manufactured exports has recently been confirmed in a survey carried out by the Scottish Council (Development and Industry). The council has been regularly monitoring Scottish exports since the 1960s. Its latest up-date, published last month, indicates that Scottish exports rose 34 per cent in volume between 1974-77 compared with an only 14 per cent increase in the UK as a whole.

As for its share of UK manufactured exports, Scotland, with a population of 9.3 per cent of the UK, had the following percentage over the same period:

1974	10.4
1975	11.2
1976	12.3
1977	11.5

In money terms, the council estimates an increase in the value of Scottish exports from £1.664m in 1974 to £3.568m last year, a rise of 114 per cent in four years. It adds the proviso that possible sampling errors might suggest a range in increases of between 102 and 121 per cent. Nevertheless, says the report, this should not invalidate the general observation that Scottish manufactured exports grew more and that Scottish production is more export-orientated than the UK as a whole.

Reviewing the performance of individual industries, the report points to engineering—mechanical, instrument, elec-

## Figures

However, last year the EEC took as much as 38.2 per cent of Scottish exports (compared with only 30.1 per cent in 1974), with 13.6 per cent going to the U.S. (16.7 per cent in 1974) and 17 per cent to the Sterling Area (20.5 per cent in 1974). Excluding whisky, the proportion of exports going to the EEC was 41.4 per cent last year, with the U.S. taking only 10.3 per cent (about the same as EFTA) and the Sterling Area 18.4 per cent.

The export performance of Scottish industry has a great deal to do with its structure and ownership. The bulk of whisky produced in Scotland (comprising virtually all whisky produced in the UK) is being traditionally consumed abroad which automatically lifts the export figures. As indicated

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CONTINUED ON NEXT PAGE



# Financial sector

THE MOST conspicuous change in the Scottish banking scene this decade is the extent to which it has "gone international". The influx of branches and representative offices by foreign banks has been paralleled by major increases in the foreign business of domestic banks and the rising number of branches and representative offices being established overseas.

This expansion in the domestic banks' foreign business (partly fuelled by the investment and service requirements of North Sea oil and gas developments) has done a good deal more than boost their assets. It has helped them, as has the North Sea spin-off, to weather practically unscathed the collapse of the property market and the subsequent economic stagnation. (Two exceptions were Edward Bates, bailed out by the Bank of England and the British Bank of Commerce taken over by Grindlays.) It has helped to counter growing competition from English and foreign banks. More recently, it has been instrumental in partially propping up profits squeezed by the "corset" of the narrowing interest margins, one or two bad debts and rising costs.

Underlining it all was the Bank of Scotland's half-yearly report for the period ending August 31, 1978, which—uncharacteristically for recent years—showed a slight drop in pre-tax profits. Had it not been for its highly profitable subsidiaries, the finance company North-West Securities and the merchant bank British Linen (which contributed around 40 per cent of the bank's pre-tax profits in the year 1977-78) as well as the growth of its international business, the Bank of Scotland report would have presented a sorry picture indeed.

The same applies to a lesser extent to the Royal Bank, whose 40 per cent share in the finance company Lloyds and Scottish contributed around 18 per cent of the latest 1976-77, pre-tax profits, and whose foreign cur-

rency advances and deposits rose by 41 per cent and 36 per cent respectively in that year. In the case of the Bank of Scotland, foreign business now amounts to almost a quarter of the total and, according to Greenwell's circular in July 1978, only 42 per cent of the group profit originates from domestic banking.

In terms of profits growth the Clydesdale Bank, a wholly owned subsidiary of Midland, outperformed its two larger Scottish rivals with a 30 per cent rise in 1977 pre-tax profits. It should be noted, however, that with their financial year covering different periods, comparisons should be treated with caution. On the other hand, Clydesdale, with its relatively smaller foreign currency portfolio owing to the Midland link, has less of a buffer in hard times.

## Deposits

The latest (August 1978) return by the Committee of Scottish Clearing Bankers indicates that the three Scottish clearing banks combined had total foreign currency deposits of £851m (out of total deposits of £4,336m), £152.5m up on August 1977 and no less than 40 times the 1971 figure. Overseas residents provided £217.8m, or 37 per cent of total currency deposits.

Currency market loans and advances, at £867.7m, were up by about the same amount on the previous August. Overseas residents' currency advances took up £249.1m of the currency total of £554.1m, or over 18 per cent of total advances. Currency loans and advances have grown over 30 times since 1971.

The rapid expansion of foreign business is partly due to the clearers' increasing participation in syndicated (mainly Eurocurrency) transactions, much of which used to be (but is no longer) North Sea-orientated. At present, for instance, only about a quarter of the Bank of Scotland's currency loans are oil-related.

Another aspect of the "inter-

nationalisation" of Scottish banks is the establishment of overseas branches. Both the Royal Bank and the Bank of Scotland are now represented in Hong Kong, with an eye to the promising Far East business, including China. The Royal Bank intends to upgrade its office to full branch status next year.

All three clearers as well as the James Finlay Corporation, a Glasgow merchant bank of recent vintage, are represented in the "oil capital" of Houston. The Royal Bank and the Bank of Scotland have offices in New York, while the Royal Bank plans to upgrade its San Francisco office to an agency early next year.

The invasion of Scotland by English and foreign banks, a significant feature of this decade, has abated somewhat but not the competition for what appears to be limited business. (The latter has caused leading Scottish bankers, including Mr. Andrew Russell of the Bank of Scotland and Mr. Alexander Macmillan of Clydesdale, to wonder if Scotland has too many banks for all of them to operate profitably.) So Scottish merchant banks and finance houses have increasingly been looking elsewhere, mainly to the south, for additional business.

Noble Grossart's investment subsidiary, for instance, has joined with the Charterhouse group to invest £700,000 in Gulliver Foods, a new venture by the former chief executive of Fine Fare. British Linen, the recently re-formed Bank of Scotland finance company, is looking south for participations by its investment subsidiary, Melville Street Investments, which has just trebled its share capital to £3.3m. The James Finlay Corporation has re-launched four unit trusts its parent, James Finlay and Co., had bought from Charterhouse Japhet and is planning three further unit trusts as "a show window" to its banking activities.

James Finlay also made news earlier this year by arranging (with British Linen) the sale of the North Sea service company Scaforth Maritime to the parent company and the contractors Taylor Woodrow in an £8m deal. These moves may help to retrieve the bank's 1977 loss of £232,000 (pre-tax), its first since it started up in 1974.

Overbanking or not, most of the English and foreign banks

operating in Scotland claim that their operations are worthwhile. The Big Four London clearers, now firmly established, as well as the large London-based merchant banks point to the obvious advantages in the size and scope of international networks and expertise as giving them an edge over Scottish competitors. For example, Hill Samuel claims a deposit lending and acceptance base in Scotland which certainly compares with those of the domestic merchant banks. Singer and Friedlander's Glasgow-based Clyde Petroleum trust largely finances its North Sea exploration activities out of income from Anglo-Ecuadorian Oilfields which it acquired in February, 1976.

## Interest

While the influx of English and foreign banks into Scotland has now slowed down, interest in the country has not. The takeover within the past year of two of Scotland's leading investment trusts, the British Investment Trust and Edinburgh and Dundee, by the National Coal Board and British Rail pension funds respectively—both bid, hotly but unsuccessfully contested—delivered, in the words of Mr. G. A. Stout, deputy chairman for Scotland of the Association of Investment Trust Companies, an "immediate blow to morale". Mr. Stout went on to say that "the potential erosion and even dissolution of experienced financial teams which further bids would cause are not developments which should be lightly dismissed."

Pension funds are of course the largest single group of equity holders in the UK, with combined funds bigger than the Government's total annual income from all sources. They are formidable but not always adventurous critics—a fact cited as one of the main reasons for the alleged shortage of risk capital, particularly for smaller companies. It is this breach into which the Scottish Development Agency (28 investments so far totalling £18m) and its own area, the Highlands and Islands Development Board are meant to step, often in partnership with the banks. One suspects that if there is a dearth of investment and innovation north of the Border, today, the reason may not be lack of risk capital—it could well lie elsewhere.

Andrew Hargrave

## Exporting

CONTINUED FROM PREVIOUS PAGE

Earlier, however, other manufacturers, especially the engineering industries, have come to the fore in recent years. This, in turn, reflects the nature of the companies that have played a major role in the diversification of Scottish industry since World War Two.

The ownership of Scottish manufacturing industry is also being monitored by the Scottish Council. It has a substantial U.S. ingredient which now employs around 100,000 people. The labour force has not changed much since 1973, the year of the first published analysis—40 per cent Scottish, 30 per cent UK and 20 per cent foreign (including nearly 16 per cent U.S.)—but their surveys by the council have pinpointed the much higher export content within the output of non-Scottish companies.

## Output

For example, the Scottish Input-Output tables referring to the 1973 list electrical machinery, computers and electronics, construction equipment, shipbuilding, industrial engines and spinning and weaving as those exporting the largest proportion of their output—after whisky, of course. The export shares in these industries range from 59 per cent to 40.9 per cent. In value terms, computers and electronics, with 8.9 per cent of all Scottish exports (second only to whisky) and with 55.4 per cent of their total output exported stand out as high-value low-volume products ideal for export.

It is a sector dominated by the U.S. majors such as IBM, Burroughs, Honeywell, NCR, Hewlett-Packard and, more recently also General Instruments, National Semiconductors and Digital Equipment. Yet another survey by the council, also published in 1973, had indicated that U.S. manufacturers in Scotland exported 43 per cent of their output and their exports comprised 31 per cent of the Scottish total, or about double the Scottish average per employee.

Companies with head offices elsewhere in the UK have also done better than average as the high export ratios from electrical machinery and office

equipment (which they share with the U.S.) and construction equipment industries indicate. The industrial engines sector reflects the export successes of companies like John Brown Engineering, a member of the John Brown Group (which recently captured a sizeable Russian contract) but also Scottish-based ones like the Weir group.

The survival of the shipbuilding industry has always depended—and still depends—on selling its products abroad. It had been, until nationalisation, a largely Scottish-based industry although even there the arrival of Marston has injected a U.S. flavour. A further up-dating of export surveys would no doubt show a continuing high export content, thanks to the Polish order for bulk carriers, the major part of which is being built in Scotland, in the main by Govan Shipbuilders, in Glasgow.

Textiles are traditional export earners: but here, too, more than one-third of the total labour force is now employed by rest-of-UK and U.S. companies. Finally, chemicals and pharmaceuticals, a little lower on the list, but still significant export earners, are dominated by major UK companies, such as ICI and Beecham, though it is worth noting that Roche Products, the Swiss concern which recently announced a major expansion programme in Ayrshire, exports about 80 per cent of its output.

One finding of the exports survey which presents an obvious problem to Scottish ports is the declining proportion of trade handled by them.

Not so long ago well over half of all Scottish shipments by sea used Scottish ports. It was still approaching half the total last year, but only if oil, a steeply rising item in view of the North Sea developments, were included. Without oil, the proportion of trade handled by Scottish ports was less than one-third of the total: indeed in 1976, the proportion was only between 26 and 29 per cent.

On the other hand, the bulk of air freights are handled by Scottish airports, their share of all air freights being in excess of 85 per cent last year.

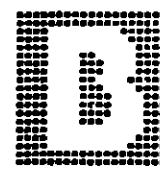
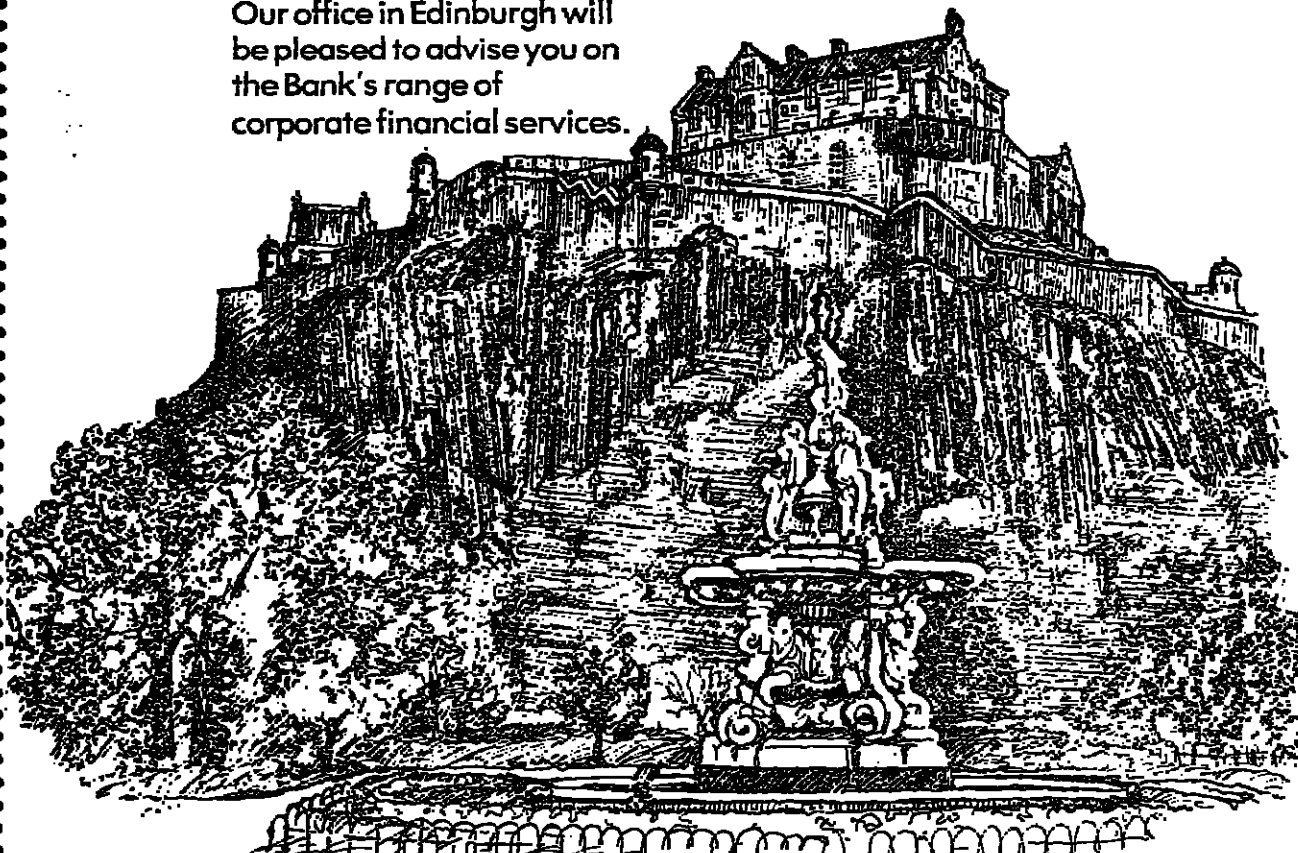
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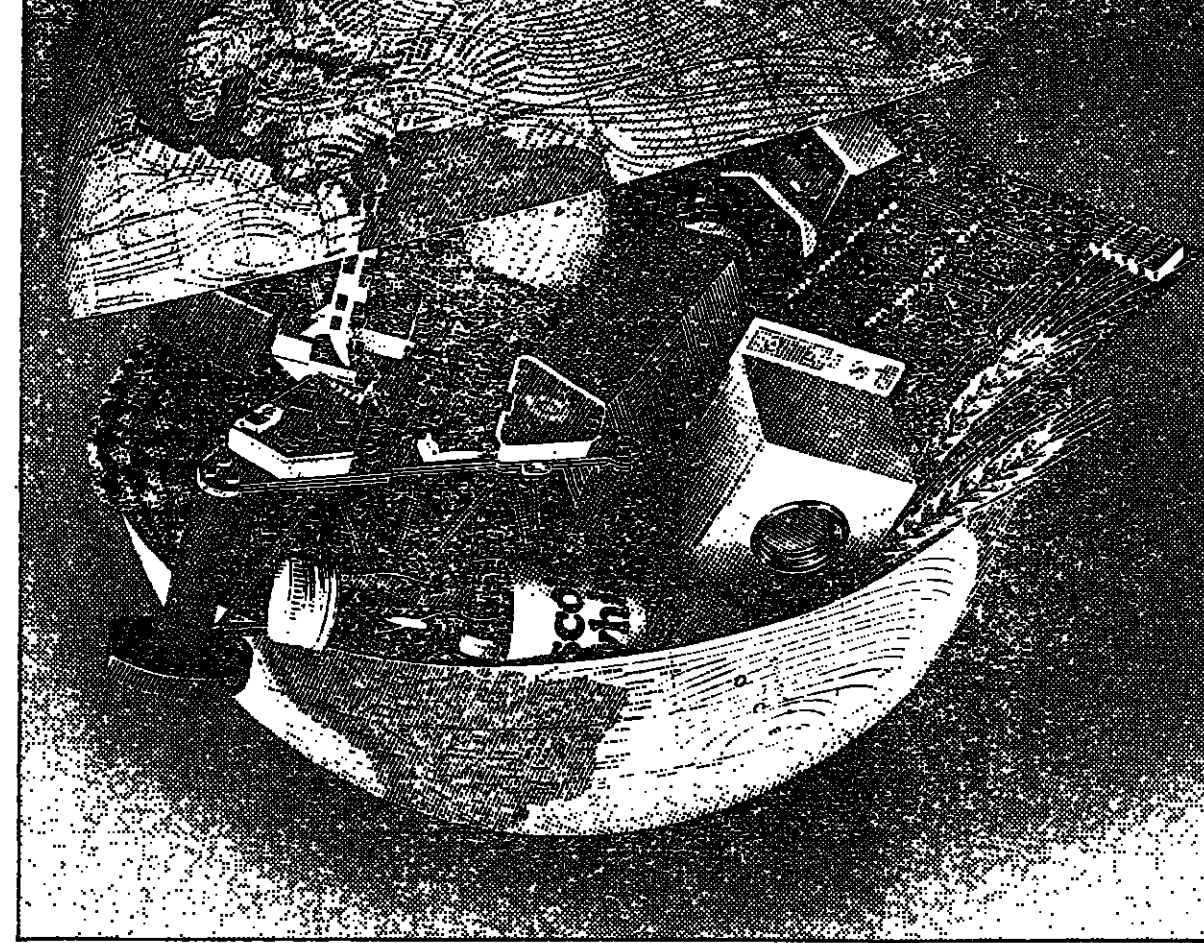
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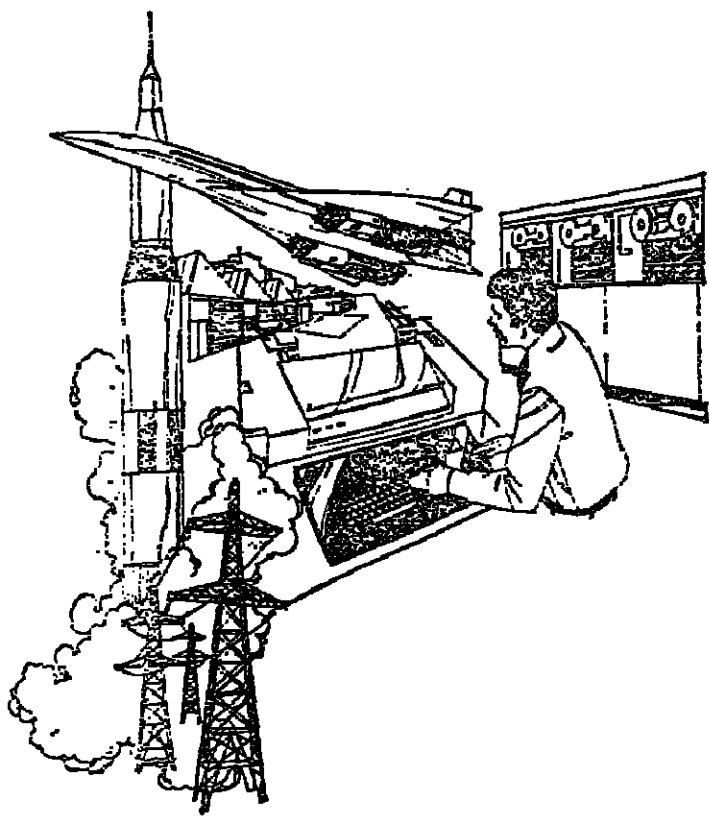
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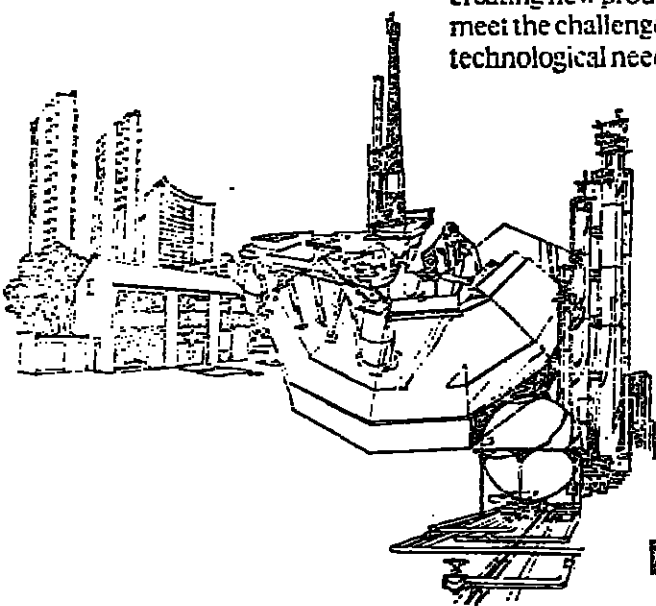


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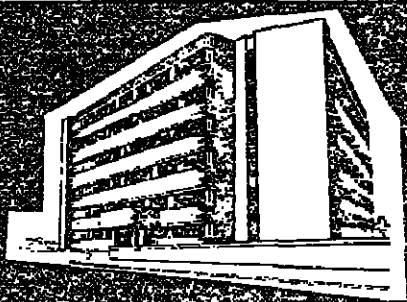
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# More offshore interest

DESPITE THE reluctance of one or two of the world's largest oil companies to bid for more than limited concessions in the Sixth Round of UK offshore licensing, the Government has expressed itself well satisfied with the general response.

A new exploration area will be opened up to the north-west of the Shetland Islands and it appears that it is this acreage, along with the well-proven oil province of the central North Sea, that have been chiefly responsible for holding the oil companies' interest.

Another exploration province will also be opened up by the Sixth Round in the South Western Approaches with blocks on offer up to 200 miles to the south-west of Cornwall. The Department of Energy has received applications for all 15 blocks in this area, but it will need the encouragement of the first discovery of hydrocarbons in the region before the oil industry would be ready to move the main focus of its exploration interests away from Scottish waters. In the concessions to the north-west of the Shetland Islands companies will be drilling in some of the deepest water yet tackled on the UK Continental Shelf.

The problems these depths would present to the eventual development of any finds, will mean that discoveries will have to be of a substantial size to prove commercial.

This is the difficulty presently confronting British Petroleum and its partners on block 206/8 to the west of the Shetlands. BP is presently drilling its second appraisal well on a structure which could have large hydrocarbon reserves in place, but which appears to be shallow and spread over a wide area.

The first well on the block, drilled last year, flowed 2,920 barrels of oil a day through two test intervals. The second well prematurely raised high hopes that a major find had been made in a new oil province, but the euphoria was deflated when the results were made known.

BP said the well had found oil, but not in commercial quantities. The well, 206/8-2, certainly confirmed the existence of a broad deposit of hydrocarbons in the area, but it raised doubts about whether oil or gas would be discovered in commercial quantities.

Tests on the well also showed the existence of a small gas accumulation at the top of the reservoir. The oil was produced from four tests at deeper intervals, but the crude was heavier than most of the finds in the North Sea with a gravity of 22 to 23 API. Nonetheless the find appears to have provided the necessary stimulus to attract oil companies to the 13 blocks on offer to the north of 206/8. More than 25 wells have been drilled in the area since Esso sunk the first well in 1972, but the real interest has only been aroused following work carried out by Elf, Esso and BP last year.

Much of the work that has been carried on has become almost routine; the lifting of heavy units of complex equipment on to the massive concrete and steel platforms, the hook-up of these modules and the laying and connecting of smaller pipelines in fields along with maintenance and inspection tasks, and emergency repairs. But the weather has been difficult for much of the summer and several storms have interrupted the big lifts and some of the pipeline work.

A lot of attention has been centred on the 5800m oil terminal that is under construction at Sullom Voe in the Shetland Islands, which is destined to become the largest crude oil terminal of its kind in Europe handling more than half of the UK's total crude requirements in the early 1980s. Construction of this terminal is badly behind schedule, but a crash programme of work during the summer has made sure that the terminal is now ready to accept its first crude from the Heather and Dunlin Fields.

By the end of this week oil should be arriving along both the pipelines to Sullom Voe connecting into the system both in the peak year of 1975. The oil companies have warned in a recent report that the level of offshore exploration work will have to be increased substantially over the next 10 years if the UK is to maintain near self-sufficiency in crude oil production in the late 1980s and through the 1990s.

## Promising

Two of the leading North Sea operators, Shell and Conoco, have tightly limited their applications for new acreage in the Sixth Round because of dissatisfaction with the Government's tougher policy towards offshore oil development. But both companies have still been persuaded to make applications for concessions in this promising area to the north-west of the Shetland Islands, despite their misgivings.

The rate of exploration work has fallen sharply this year with less than 40 wildcat wells drilled in 1978 compared with 58 last year, 51 in 1976 and 75

in the peak year of 1975. The oil companies have warned in a recent report that the level of offshore exploration work will have to be increased substantially over the next 10 years if the UK is to maintain near self-sufficiency in crude oil production in the late 1980s and through the 1990s.

But these disagreements between the Government and the oil industry over tax changes and the tougher licensing conditions have led to overshadow the massive development effort that has been mounted this year off the coast of Scotland to bring a number of new fields into production.

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the Brent area and Ninian area quick time of 28 days, an achievement that has almost been taken for granted amid the Union Oil's Heather Field has accepted hectic pace of North Sea development. The repair of the field to begin production involved the cutting out and replacing of a 120 foot section of the 36 inch pipeline in 329 feet of water. A recently developed technique of underwater "dry welding" was used, the operation being serviced from the semi-submersible diving support vessel, Uncle John.

During the year Shell/Esso have installed two key platforms, the biggest Brent Field platform, Brent C, and Cormorant A, which will act as the main pumping and booster stations for the Brent System pipeline. The work of tying in the inter-connecting pipelines is now completed. Commissioning and hook-up work is being carried out simultaneously on all six platforms in the Brent area. To support the workforce necessary for such an effort as many as five semi-submersible vessels have been used for accommodation at the fields. The activity, which has included the completion of the 260-mile gas pipeline from the Brent Field to St. Fergus in Aberdeen-shire, has needed a construction workforce of 4,000 men. The two companies expect their capital expenditure in the North Sea in this year alone to total about £800m.

Production has also been started in recent months from the northerly Thistle Field, which is operated by the British National Oil Corporation. With 11 oilfields already on stream producing over 1.5m barrels of crude a day the UK is meeting more than half its own requirements from domestic oil production. But many more months of hectic activity lie ahead, before these fields are brought to peak output, and the other commercial discoveries in Scotland's offshore waters are brought into first production.

Shell and Esso, working in partnership in the North Sea are already developing five fields—another North Cormorant on the cards. They had had their busiest year to date.

The work has been crowned this month with the first flow of oil along the Brent System pipeline to Sullom Voe from the Dunlin Field. The operation was delayed at the very last by the discovery of a rupture in the pipeline in 420 feet of water some 47 miles out from Shetland. But the pipeline was repaired in the surprisingly

Kevin Done

## Chemical projects

THE SCOTTISH chemical scene has been dominated this year by the Hoffmann-La Roche £140m vitamin C plant project in Ayrshire and by the continuing saga of Shell/Esso's proposed petrochemical complex at Moss-morran in Fife.

The two developments represent a hefty investment on the part of widely different sectors of the chemical industry and this ought to be a source of some satisfaction for Scotland. Yet both projects have come in for some heavy criticism—albeit from quite separate groups of opponents.

Roche's planned plant at Dalry in Ayrshire is expected to turn the UK from an importer to a net exporter of vitamin C. About 90 per cent of the new plant's production is to be exported and it is estimated that this should help Britain's balance of payments to the tune of some £38m a year. Roche is already producing vitamins at the Dalry site but the new plant will add an extra 430 jobs to the existing complement and this in an area where unemployment is already high and where it is expected to become worse when the British Steel Corporation closes its plant in the Garnock valley at the end of this year.

The Roche project would seem to offer advantages to Scotland on almost every front but this has not saved it from coming under attack. What has roused anger in certain quarters is not the development itself but the role allotted to the British taxpayer in financing it. One way and another taxpayers will be meeting nearly half the £140m cost of the new plant and this new job brought to the Shell's terminal at St. Fergus area—a statistic that Government critics have been quick to advertise.

Government Ministers have billed the winning of the Roche investment as a triumph but there are arguments for saying that the price was on the high side. Yet it should be remembered that Hoffmann-La Roche, had hoped to start construction which is based in Switzerland, is work in the late spring of this not only one of the largest and most successful pharmaceutical groups in the world but also the drug company that all of Europe loves to hate.

On the other hand, the very fact that the Government may have erred on the side of generosity in the Roche case could help to attract further investment in Scotland from abroad which would be no bad thing.

Not that the country has to rely solely on foreign investment in the pharmaceuticals field. Earlier this month the UK-based Beecham group announced that it would be increasing its planned investment in British pharmaceuticals and Scotland will benefit from this. The company said in March that it would be spending a total of £40m on the building of a new chemical plant at Irvine in Scotland and on the modernisation of pharmaceutical factories in Sussex.

## Welcome

Local communities usually welcome pharmaceutical developments like those being undertaken by Beecham and Roche but the reaction to petrochemical projects tends to be altogether different. Shell/Esso have discovered this while waiting for the final go-ahead to start building a planned natural gas liquids separation plant and petrochemicals plant at Moss-morran plus a marine terminal at nearby Braefoot Bay.

It is now well over a year since the first planning inquiry was held on the Moss-morran project. The proposal is that gas from the Brent field should go to the Shell's terminal at St. Fergus in the North where the natural gas stream—methane—will be taken out while the remaining gas liquids will be piped south to Moss-morran.

Shell received provisional planning permission for its natural gas liquids plant way back in March and originally it hoped to start construction which is based in Switzerland, is work in the late spring of this not only one of the largest and

The conditional nature of the planning permission was the result of effective lobbying by local residents who want to halt the Moss-morran project. They failed to win their case at the planning inquiry held in July 1977 but though they had lost the battle they were determined that this particular war was not to be ended so easily. The radio transmitters could present a hazard when in the vicinity of a chemicals or gas plant and as it happens Radio Forth operates a transmitter near Moss-morran.

Final planning permission for Moss-morran and Braefoot Bay has still not been granted and the Brent gas project—costing an estimated £30m in total—remains in an unhappy limbo.

ICI and BP Chemicals are currently building a joint 500,000 tonnes a year ethylene plant at the Wilton complex on Teesside and this is to be joined by pipeline to the chemicals site at Grangemouth on the Firth of Forth. The Grangemouth site, which was established as long ago as 1951, is one of the largest in Europe. It is next to a British Petroleum oil refinery and BP Chemicals' basic petrochemicals plants on the site draw on this for feedstock. BP Chemicals is still investing in Grangemouth and so extending its range of products from there—a new polyethylene plant and a new benzene plant will both be completed by the end of this year.

There are a number of factors which could deter outside chemical companies from setting up shop in Scotland—notably the appalling record of the entire UK construction industry when it comes to completion dates for large plants.

In the meantime, as long as major chemical concerns—the British like ICI and BP Chemicals or foreign based like Hoffmann-La Roche—continue to show themselves willing to put money into the industry in Scotland, the investment picture for the future cannot be too bleak.

Sue Cameron

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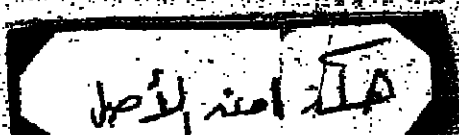
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# Expansion in the electronics sector

THE ELECTRONICS industry in Scotland is showing signs, after a period of retrenchment, of being ready for another period of growth.

Scotland has not so far benefited from the Government's multi-million pound commitment to the electronics industry—apart from consultancy fees for Macdonald Consultants, of Cumbernauld, who have prepared data for the NEB on the proposed INMOS company. Two major companies have, however, announced the building of major plants in Scotland and a third is opening one of the most advanced integrated circuit manufacturing complexes in the world.

More important perhaps for the future of the industry in Scotland is the designation of Edinburgh University as one of the two UK centres for advanced microelectronics by the Science Research Council and with the aid of a £316,000 grant will set up a new silicon chip processing facility.

## Decision

Completely separate from the NEB and Central Government efforts in micro-electronics, the Scottish Development Agency has commissioned an in depth study of the industry and the potential for Scotland from Booz Allen and when the report is ready in the New Year, the SDA is ready to back new projects with its own cash.

To top it all off, of course, would be a decision by Texas Instruments to site their new European facility in Scotland with the promise of more than 2,000 jobs—with a spin off for the dozens of small components firms in Scotland's "electronics

belt"—but no decision has been made.

It is believed that the giant American firm is impressed with a number of Scottish sites. And the Edinburgh University decision has added a further dimension which is as important as any cash incentive—the supply of skilled labour in a world where micro-electronics engineers are becoming worth their weight in (if not gold) certainly silicon chips.

The New Town of Livingston, which was almost the only sizeable town in the East of Scotland without a significant electronics manufacturer, has reversed its position in less than a month with the decision of Burroughs to set up a research, development and production centre for advanced banking equipment and of plans by the MFE Corporation of New Hampshire to build its first European facility (complete with a R and D unit) on the New Town's research park.

Burroughs have pioneered its banking equipment systems in Scotland at the Cumbernauld plant and it is this section which will be transferred to the new facility of 100,000 sq ft in Livingston, while the Cumbernauld plant will be expanded by a further 100,000 sq ft for expansion of printer products, manufacturing and engineering.

MFE Corporation are building a 36,000 sq ft plant to manufacture "floppy disc" cassette drives and will set up a research unit to look for new product lines probably in the medical field where the group already manufactures strip chart recorders.

Livingston is highly delighted particularly since the R and D content from both firms fully justifies the decision to retain the site for advanced industry—even through a period when their stock of industrial land was becoming perilously thin.

The two plants will employ around 500 people when building is completed in about three years, and both firms have retained a large area of the site for expansion.

Proximity

MFE particularly chose the site because of proximity to Edinburgh's two universities to utilise both the supply of graduates and research facilities.

These two projects are the latest in a series of expansion projects in the industry in the last few months which have been announced or are coming to fruition. It is difficult to find a Scottish plant in the industry without a project underway or in the offing.

## Significant

It is significant that in many cases the growth is being fuelled by development work on site, not just in Scottish-based firms, but in the American-owned companies as well. In Scotland most of the big American electronics companies now have a presence and they range from IBM, Honeywell, NCR and Burroughs to Hewlett Packard, Digital Equipment, General Instrument.

Micro-electronics and Motorola, which is just opening a new IC manufacturing facility in East Kilbride. One firm which might not have such an enthusiastic view of the labour supply problem is Ferranti which is itself well

known for its defence business in Edinburgh. Locked into Government waste guidelines through NEB ownership, Ferranti has been losing staff to the newcomers and growth is being slightly inhibited.

The firm ruefully admit that the problem is largely of its own making. It was the efforts of Sir John Toothill, the general manager in the 1950s and 1960s that helped to interest Scots in the industry which, in turn, did more than anything else to attract the firms which today have made Scotland a major centre of the industry in Europe.

The growing concentration of companies using electronics has had the effect that Sir John Toothill predicted—although perhaps not as quickly as had been hoped. Dozens of small component firms have emerged mainly in the Edinburgh area, but not exclusively.

Edinburgh University established micro-electronics as a separate discipline in the late 1960s. From the beginning, the university insisted on building bridges with industry; with aid from the Wolfson Foundation, a micro-electronics unit was set up complete with facilities for manufacturing silicon chips giving students and research workers access to a more commercial environment than is normally possible in universities.

The designation of Edinburgh by the Science Research Council and the grant to update the production facilities is a recognition of the success of the experiment. The other British university designated is Southampton.

With its new designation, the university will now add a new course in micro-electronics manufacturing technology for fourth year honours graduates.

Even before the designation, companies in Scotland were already showing their confidence with hard cash. And for the short and medium term prospects (nobody goes beyond that in the fast moving electronics industry), Scotland's continuing position as a major electronics centre seems assured.

John Drummond

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# New platform orders

AS REVIVALS go, the present one being enjoyed by the platform industry is fairly small, although no less welcome for that. Whereas in 1976 there were no orders placed at all and each of the seven yards had either no work or was fast running out of work, now three of them are working and there is a prospect that another may be awarded a contract soon.

During its brief life, the industry has acquired a sensational character. The sheer size of the orders involved—up to £100m—and the dramatic rise and fall in the fortunes of the companies involved have helped to focus public attention on platform building as an indicator of North Sea activity in general and this has some justification. Not only are the yards large employers of labour, important in their localities, but the award of a platform contract is merely the tip of the iceberg and means a whole series of lesser contracts and sub-contracts for components and services.

Thus the peak period for the platform industry—there were 27 orders placed between 1972 and 1975 and ten went to Scotland—was also a boom time for the Scottish economy in general and there is no doubt that the oil industry played a major part in the resurgence of activity. There were other factors, of course, but the long tentacles of oil-related work reached deep into the economy.

The fallow time for the platform yards, was also slack for the wider economy. So it is good news for Scottish industry that a new, albeit smaller, boom in the construction of offshore structures is on the way.

Predicting the demand for platforms is notoriously difficult. It entails making a judgment about the commercial potential of oil finds, when the operating companies themselves may not be sure just how valuable their prospects are, and assessing such imponderables as whether a particular geographical location would be better served by a steel or concrete structure or by some more exotic contraption.

A recent official estimate (con-

tained in the report "The Economic Impact of North Sea Oil on Scotland" prepared for the Scottish Economic Planning Department by Professors Maxwell Gaskin and Donald MacKay) was that there could be between 18 and 24 orders to come between 1977 and 1986.

The authors were careful to qualify their figures in view of the past inaccuracies in official platform forecasting (and in fact the report is already over-optimistic in the number of orders it expected to have been placed last year and this), but they concluded that the next three years could see up to half-a-dozen contracts being awarded each year. If this turns out to be true it means short term prosperity for at least those yards specialising in steel structures and a breathing space in which to try to bid for work outside the UK Continental Shelf.

## Specialists

Of the Scottish yards, the three which have specialised so far in steel platforms, have done best. Highland Fabricators, the Anglo-American partnership between Brown and Root and Wimpey which has a yard at Nigg on the Cromarty Firth, was awarded last year the order for a third platform for the Ninian Field and has this year followed it up with a contract from Shell-Esso for the Fulmar Field.

Hi-Fab's 170 acre yard, which employs 1,500 local people, has already built five platforms for the UK sector of the North Sea, including the Ninian Northern platform. The Fulmar structure is one of its largest jobs. It will be built on skids alongside the graving dock where the Ninian Southern platform is under construction, will weigh 12,300 tonnes, have eight legs and stand in a water depth of 82 metres. It is due for completion early in 1980.

J. Bay Macdonald's yard at Ardersier, near Inverness, also ranks as one of the most successful of the Scottish yards, and is presently building a large production platform for the Murchison Field and a smaller structure for Brazil, due for de-

livery shortly. The yard, like its competitor at Nigg, has been prominent in bidding for overseas work.

But the surprise performance of the year has been produced by the former RDL yard at Methil, Fife. Two years ago a lack of work forced the company to put the facility into mothballs and pay off most of the staff. With a reputation for poor delivery hanging over its head, few commentators gave the yard much hope for the future.

But a combination of Government pressure and imaginative management initiative have transformed the yard's prospects. The hand of the Department of Energy and particularly of the Junior Minister, Dr. J. Dickson Mabon, seems to have been behind the award of a part share in the Texaco Tarten contract (being handled jointly with the French yard U.I.E. at Charbourg), which enabled Methil to reopen last year.

And, this spring, a merger with the Dutch De Groot group revitalised the yard's image. De Groot's good reputation for delivery and the Dutch management's confidence and close identification with the workforce were undoubtedly factors in the decision by Shell-Esso to award the yard the smaller of the two Fulmar contracts, and there has been other work.

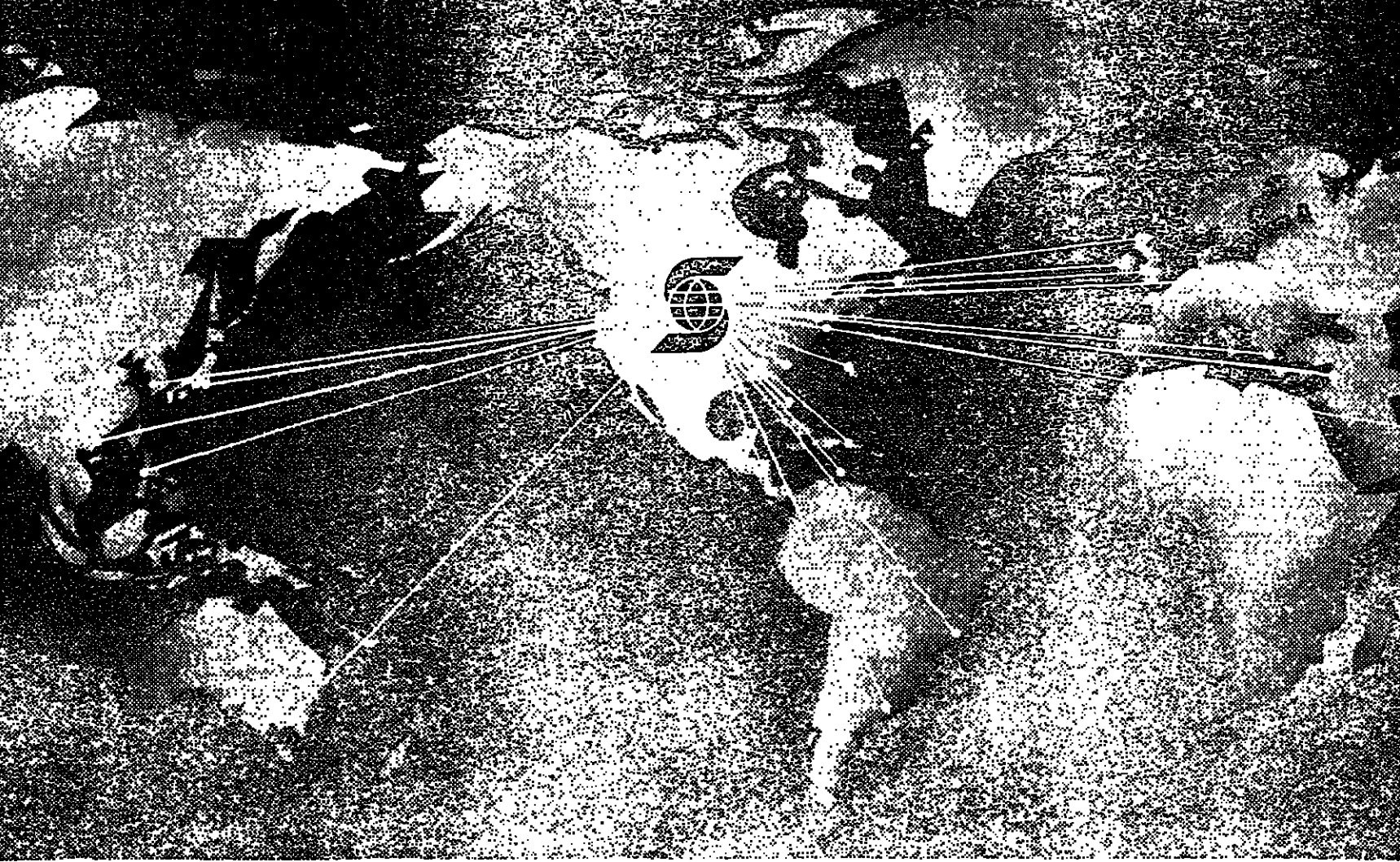
It is a small beginning but RDL has plans for developing part of the Methil site kept within its exclusive control and the new joint venture company, Redpath De Groot Caledonian, has been active in bidding for a wide range of new work.

Another yard which had faced closure and now has work is the Stornoway-based Lewis Offshore, owned by the Norwegian Fred Olsen group. The company is important to the island of Lewis, biggest of the outer Hebridean islands, because it provides scarce employment for engineering skills. This summer, after several months without work, the company was given a contract to convert a Drilling rig to serve as a production platform for the Buchan Field.

But a cloud of gloom overcasts the concrete constructors. The two Government sponsored yards at Portavadie and Hunterston, on which something like £20m has been spent, have never won work, and, despite optimistic statements by Dr. Mabon, it does not seem likely that either of them will see the building of a platform in the near future.

Ray Perman

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# Shipyards need work

SHIPBUILDING IS still a very major industry in Scotland, particularly on Clydeside. Even in the event of a close-down of merchant building yards, there would still be a significant industry with naval and offshore oil activities.

The yards themselves employ around 23,000 almost all of them under the British Shipbuilders' umbrella, but outside the yards there could be as many as twice that number in supporting industry.

Scottish yards, in total, now have a reasonable order book except for the Marathon oil rig yard, but unless an order breakthrough can be made before the end of the year redundancies are inevitable in the spring.

For the industry in Scotland, the controversial £120m Polish order was a "life-saver". All but two of British Shipbuilders' yards shared in the order with the bulk of the contract going to Govan Shipbuilders and its subsidiary, Scotstoun Marine, where it is now the only shipbuilding work on the books.

ment of the offshore oil industry, Scott-Lithgow have heavily committed themselves to specialist ships for that industry and the present order mix in terms of jobs is one-third merchant ships and two-thirds naval and specialist vessels.

In the next few months even this proportion is likely to rise, unless there are new orders.

Because of the recession, Scott-Lithgow have decided to close down their ship repair operations, but will keep the 1,000 ft. long dry-dock, one of the largest in the U.K. operational because the dry-dock facilities are essential for new building operations.

The closure will mean the loss of 268 jobs, although some of the employees will be offered jobs in the rest of the group. The dry-dock business has never been profitable, partly because there was only one dock and its use is restricted because of the needs of the yards.

The next most immediate problem area on the Lower Clyde is at the Scots engine works, where orders are running out fast. Much of the work production has been for merchant ships and obviously this is one of the most vulnerable areas in the group. The small yard at Bowling is also rapidly running out of work.

With prospects of an order for a seabed operations vessel for the Royal Navy and refitting work on conventional submarines plus the order for the emergency support vessel, the yard has a relatively healthy order book, but are under no illusions that getting merchant ship orders will be easy.

Up river at Yarrow's naval shipyard, order books are even more healthy with four type-22 frigates and a fifth in prospect, plus four support ships for the Iranian Navy which gives an order load which stretches two years ahead for the workforce of 5,500.

Yarrow are also building a new yard to construct class-6B minesweepers for the Royal Navy and when this is complete next year could employ an additional 500.

Despite this almost rosy picture, there are worries at the yard. Their staple "diet" is frigates for the Royal Navy, but

with the cost rising to something around £30m each, there are worries over how many the defence budget can stand.

There is also the problem that the type of frigate being built at the yard is probably too expensive for the export markets. Any country requiring a vessel as sophisticated as the Type 22 frigate will almost certainly have the shipbuilding capacity to build them.

While there is a market for less sophisticated patrol vessels, the lead in this type of ship has been taken by Vosper and Brooke Marine.

Govan Shipbuilders—formed out of the collapse of Upper Clyde Shipbuilders five years ago—is probably the most vulnerable yard in Scotland to the collapse of the merchant ship market. It has not built a naval ship since the 60s and its facilities are geared to the series production of standard ships.

## Carriers

Its present order book is composed of nine and a half—built for Robb-Caledon—4,400-ton bulk carriers and four 16,500-ton bulk carriers plus some of the fabrication work for the BP emergency vessel.

It must be remembered, however, that the entire order is due to be completed next summer and to prevent a production gap similar to the one which hit the yard before it received the Polish ships earlier this year, an order has to be taken before the end of the year.

The £30m investment programme which has just been completed at the Govan yard gives it an enormous appetite and any orders have to be for a series to prevent cutbacks in the labour force.

Its subsidiary yard—Scotstoun Marine—on the opposite bank of the river, employs 1,100 of the groups 5,500 workforce and has a share in the Polish contract, but is not nearly as modern as the Govan yard. If British Shipbuilders insist on a heavy redundancy programme as expected, this yard looks very vulnerable.

Although not strictly a ship-

yard, the Marathon yard at Clydebank—the former John Brown—is now working through its last order and redundancy notices have already been issued for the vast majority of the 600 strong workforce. Bids are in for a number of contracts, but their best prospect for an oil rig wanted for Indian waters, was lost last month.

On the Upper Clyde there is one success story which helps to dispel gloom. It is the Clyde Dock Engineering ship repair venture of Mr. "Rab" Butler, who is also head of the Type ship repairing group. The yard has just announced a healthy profit of £250,000 for last year and its 250 workers are the highest paid in the country.

It is a success story which should not have been possible. Mr. Butler bought the derelict yard in Govan 18 months ago after it had been closed for six months. Despite being on the wrong coast, 26 miles up a river where conventional shipping traffic has been falling steadily and with minimal capital, the yard has been constantly occupied.

The reason is a combination of good marketing, good management and a unique labour agreement which trades complete flexibility and guarantees no strikes for high wages and no redundancy during the period of agreement.

A similar success, again in ship-repair has come to Independent Ship Repairs, who took over the Leith yard of the same company Clyde Dock emerged from. A similar type of labour agreement was reached with the unions.

The Leith yard of Robb-Caledon has a respectable order book of a ferry, two crane barges—again the Polish order—and two tugs. With the Dundee yard of the company, the group employs around 1,400 and both have a considerable reputation for building small specialist ships.

Both are old yards, however, and following the cancellation of a heavy investment programme in 1973 when the possibility of nationalisation was looming, there has been little investment.

Hail Russell, in Aberdeen, have a reasonable order book, but are not overly dependent on merchant ships to keep their 300 workforce employed. They have built the entire fleet of offshore oil patrol vessels for the Royal Navy and are working on a new design of fishery protection vessel for the Scottish Office. Both types of ship are being marketed strongly in export markets and it would be surprising if they do not meet with some success in this field soon.

In ancillary industries, there has been a very strong effort to diversify in recent years, particularly in the offshore oil market. And while shipbuilding is still a very important market, a further cutback would not automatically mean disaster for the sector.

Overall, while there must be worries for Scottish yards over the final version of the Corporate Plan being prepared by British Shipbuilders, there are some grounds for optimism and yards north of the border do not appear as vulnerable as those in the rest of the country.

Perhaps the biggest worry is over the reaction of Scottish workers to the plan. If there is strong militant action, it will destroy the new image the men in the industry have painfully built up over the last five years since UCS of being prepared to adopt new attitudes and working practices to ensure the future of their industry.

John Drummond

## Gaps

The fact remains that once that order is completed early next year, big gaps are going to appear in work schedules and Scottish yards could be almost as vulnerable as their English counterparts.

Virtually the only factor which has kept back a feeling of gloom has been the winning of a £60m order for an emergency support vessel for British Petroleum by Scott-Lithgow and under that contract some of the fabrication work will be done upriver at Govan.

That contract ensures the future of 3,000 jobs at Scott-Lithgow for a year and gives continuity after the last of a series of 265,000-ton tankers has been built at the yard in Port Glasgow.

The Scott-Lithgow yards on the Lower Clyde are by far the biggest group in Scotland, with six yards, one of the largest dry-docks in the country, an engine works and a total of 8,000 employees—a drop of 2,000 from a high point two years ago.

Combined with another British Shipbuilders' member company, John G. Kincaid, which employs 1,400 and two smaller private companies—James Lamont, ship-repairers and steering gear makers, John Hastie—which employs a total of around 800, they provide the industrial lifeblood of the communities of Greenock and Port Glasgow.

The group is not totally dependent on merchant shipbuilding. Traditionally, the order mix has been one-third naval building and two-thirds merchant, but with the develop-

ment of the offshore oil industry, Scott-Lithgow have heavily committed themselves to specialist ships for that industry and the present order mix in terms of jobs is one-third merchant ships and two-thirds naval and specialist vessels.

In the next few months even this proportion is likely to rise, unless there are new orders. Because of the recession, Scott-Lithgow have decided to close down their ship repair operations, but will keep the 1,000 ft. long dry-dock, one of the largest in the U.K. operational because the dry-dock facilities are essential for new building operations.

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## Fishing fears

Silkin will be put in a difficult position when the quotas for 1979 are being fixed and that could mean a reduced quota. Total Scottish landings of all fish species in September amounted to 74,000 tonnes. In the first nine months of this year landings totalled 326,000 tonnes of which approximately 4 per cent were herring, 6 per cent shellfish and the balance white fish.

## Landings

The corresponding figures for the first nine months of 1977 were total landings of 318,000 tonnes, of which 9 per cent were herring, 7 per cent shellfish, and the rest white fish.

Catches of fish from Britain's own waters are being steadily reduced as Mr. John Silkin, Minister of Agriculture and Fisheries, imposes successive cuts on catch limits in an attempt to defend the nation's fish resources. Trawlers have to be laid up, fishermen and shore-based workers lose their jobs and fishermen have to make up supplies with expensive imports and, finally, the housewife is forced to pay more for her share of Britain's dwindling fish supplies.

It is widely recognised throughout the Scottish fishing industry that the lucrative catches of mackerel off Cornwall are little or nothing for ports equipped for dealing with a sustained herring industry, with all its ancillaries, including kippers.

The port of Mallaig now faces a tough and difficult time. Earlier this year, before the Young Scots fishermen in the herring ban came into operation, 5,476 tonnes were landed and prices were so high that they fetched £1,964,000. Nobody knows when a restart will be possible. The herring closure coincides with an ever-increasing lack of white fish and a haddock quota to add to the problems.

Mr. Gordon Jackson, secretary of the Mallaig and North-West Fishermen's Association predicts a hard year ahead. He said: "If we do not get a good sprat fishing season followed by a reasonable prawn catch between next April and August we will be in trouble. He hoped that by the winter of 1979 the herring position might have improved sufficiently to allow a small 'survival' quota to be fished. There are now signs of large shoals of two-year-old herrings in the North Minch and Lochs. If they were left undisturbed for another year the stock might have recovered to allow a

limited restart. Through white fish and shell fish contributions Mallaig will top the £3,000,000 mark again this year. At Oban, up till the end of September, the white fish catch was down by almost 14,000 cwt compared with 1977 but higher prices for shell fish have wiped out the deficit. White fish contributed £1,100,000 to keep the Hebridean fleet ticking over. When the herring do return the Isle of Lewis should be well placed for long-term prosperity once the new Breaclete fish drying factory comes into full operation.

The Government has already had repeated warning that unless special help is forthcoming the herring processing industry will go under before the Scottish West Coast herring ban is lifted. Mr. Walter Dyson, secretary of the Herring Buyers' Association, said there would be some very heavy unemployment in areas that could ill afford it unless Government help was forthcoming.

Fishing prospects in Orkney are relatively bright following a prolific summer crab season. Up till the end of September 17,820 cwt had been landed, mainly crab, worth £429,880. The comparative figure for last year was 16,220 cwt for £339,370. There is always an assured market for Orkney's high quality crab meat, processed and frozen at Stromness and Westray, before shipment to England and the Continent, with France a particularly good customer.

After the upheaval created by the building of the Occidental oil terminal at Flotta the labour situation is now stabilising and a reasonable living is forecast for those who decided to stick to the traditional way of life. Orkney Islands Council has set up a working party to consider harbour improvements.

It is, however, Shetland which seems to have suffered most during the past year because of the failure to control over-fishing. Once surrounded by the finest fishing grounds in the world, Shetland fishing now has to rely all too often on sand eels, Norway pout and sprats for conversion into fish meal.

Shetland fishermen have protested for years about the devastation foreign trawlers were causing in their grounds but all to no avail. The fishermen, in their demands for at least a 50-mile limit around their shores, are fighting for survival. The Shetland Fishermen's Association have the full backing of the Shetland Islands Council and a new pressure group—the Shetland Movement. They want a complete ban on

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CONTINUED ON NEXT PAGE



## SCOTLAND VII

## The land question

THE PROVISION in the Queen's Speech for a Bill to establish a simplified land register for Scotland is indicative of the fact that the land question continues to be prominent in Scottish politics. In fact, the new register will not make much immediate impact on the amount of available information, since existing owners will not be required to make declarations.

In spite of the efforts of the National Union of Agricultural and Allied Workers (which scarcely exists in Scotland) and a few individuals within the Labour Party, the land issue has not captured the public imagination in England and Wales. This is in spite of the fact that a few hundred acres of prime agricultural land in the Home Counties would probably have greater cash value than the few hundred thousand acres of Highland wilderness.

Several factors conspire, however, to make land an emotive subject in the Scottish context. The folk-memory of the Highland Clearances is still strong. The continued presence of caricature lairds presiding over their vast private kingdoms, with little regard for the social good, sustains the sense of injustice. Coupled with this is the widespread belief that there is a level of irresponsibility in terms of land use which has few equals in the western world.

Further ingredients have recently been added to this recipe for resentment and discontent. They have come

mainly in the form of foreign and institutional buying of land—by no means all of it in the Highlands—which, as elsewhere in the UK, has had the effect of forcing prices up and making it increasingly difficult for young and energetic farmers to obtain or lease land at reasonable cost.

It is estimated that over 500,000 acres of Scottish land are now owned by the institutions, and a further 300,000 acres by foreigners. The Dutch have been the most active, with the Arabs a fairly close second. The Northfield Committee was established with the specific brief of looking at the problems created by these two sets of influences. This may seem like an unnecessarily limited remit. Most of the problems associated with land ownership in Scotland cannot be laid at the doors of foreigners or institutions but still retain control over the vast majority of Scotland's acres.

The Scottish National Party has, predictably, seized upon the foreign buying of land as a major issue. Though they eschew land nationalisation, their land policy is by far the most radical plank in their platform. A land commission, they envisage, would take over all holdings over the vaguely defined "family-size" farm, and this surplus of land would then be sold to tenants or other would-be buyers. The Scottish Landowners' Federation has greeted this proposal with horror.

If a Scottish Assembly is established as a result of the forthcoming referendum, some powers relating to land will fall within its ambit—Schedule 10 of the Scotland Bill, listing devolved subjects, includes "Tenure and Management of Agricultural Land." But even if a radical Assembly was to be elected, the likelihood of much happening under this heading is remote since the matter of compensation would still reside with Westminster.

Indeed, the land question—given its high priority in Scottish political life and its low rating in the legislative priorities of Westminster governments—could provide an early point of conflict in the relationship between the two bodies, if the Assembly plan is actually approved in the March referendum.

## Reform

More immediately, there is the prospect of modest reform through the initiative of the Highlands and Islands Development Board. In the 13 years of the board's existence, there has been little to sustain the fears of Conservative MPs who alleged that it was "Marxist" in concept, when the Bill which established it was going through the House of Commons. On the other hand, those who welcomed it have been dismayed by its failure to challenge the power of Highland landowners.

Now, however, under the chairmanship of Sir Kenneth Alexander, the board has sought additional powers from the Government, whose response is eagerly awaited, after interested parties have been consulted. The board stresses that it is not interested in land nationalisation, in doctrinal terms, but only in land use. They are, therefore, seeking powers to tell landowners that unless they show willingness to put their land to productive use, it will be taken from them—by compulsory purchase if necessary.

The spirit of the proposals has been welcomed by bodies such

as the National Farmers Union and the major political parties, though opinion is divided over the compulsory purchase aspect. Critics on the left think that there are too many "warning" stages before compulsory purchase becomes a possibility; on the right there is blanket opposition to the very inclusion of the words compulsory purchase.

The statistics on land use in Scotland are striking. Grouse moors cover about 3m acres of Scotland with an average annual yield of just one brace per 10 acres. Due to decline in standards of management, grouse moors are less productive today than they were at the beginning of the century. Red deer graze over 5.6m acres, which yield an average of less than one pound of meat per acre each year.

While it is not disputed that much of the moor and hill land could not be adapted to any other agricultural purpose, it is the view of the landowners' critics—including the Highlands and Islands Development Board—that much more land could be brought into productive use. The Zuckerman Report to the House of Commons, back in 1957, suggested that there were 100,000 acres of reclaimable land in the Highlands alone, while the Highlands Advisory Panel stated in 1964 that "this greatly underestimated the possibilities in view of the considerable developments in techniques in recent years."

Since then the trend on the big estates has been for more and more land to go out of productive use. A recent study by the head of the land division at the HDB, Mr. John Brydon, suggested that up to 100,000 acres of rough and hill grazings could be improved in Ayrshire alone. It is against this background that the HDB can credibly stress that it is concerned with land use rather than the theory of ownership.

The only previous legislation on Scottish land during the life of the present Government was the Crofting Reform Act of 1976 in which provision was made for crofters to be able to buy their few acres of inbye land. It is a right which very few of them have exercised—not surprisingly, in view of the very favourable status enjoyed by crofters who pay only a few pounds per year in rent.

Most of the 2m acres of the Highlands and Islands which are under crofting tenure—the product of legislation in the 1880s passed in response to land agitation—are made up of rough, common grazing. This land is not subject to the proposals put forward by the HDB, and no satisfactory plan of action has yet emerged for the regeneration of crofting which, by and large, means part-time farming on marginal land in areas of high transport costs.

There is continuing pressure within the Labour Party for crofting land to be taken into public ownership. This could be achieved relatively cheaply, since the fact that crofting land is enjoyed strictly limited rights over the land is reflected in the low market value of crofting estates. For all the changes that are taking place, landowners remain tremendously powerful people in social terms. History has left Scotland with a grotesque maldistribution of land which, if she was an independent country, would disqualify her from economic support from the World Bank. Until there are some steps taken towards righting this imbalance, the landowners can expect little public support in their protests over taxation, foreigners, institutions or anything else. The image that they have built for themselves over a couple of centuries will take a few more years at least to break down.

Brian Wilson

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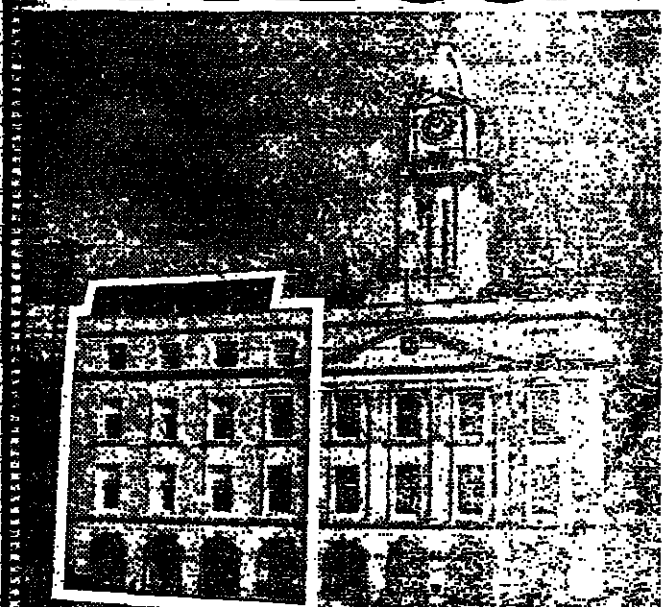
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## Fishing

CONTINUED FROM PREVIOUS PAGE

boats over 80 ft taking white fish. Mr. Silkin, however, says there can be no regional concessions.

Mr. Jo Grimond, Liberal MP for Orkney and Shetland, has warned Mr. Silkin that if he settled for exclusive rights up to 12 miles and the dominant share of the quotas up to 50 miles he would cause considerable dismay in the industry. He points out that in the islands there is no hinterland in which fishermen can obtain other work, except of a temporary nature, possibly connected with oil. He warns that such islands as Whalsay and Skerries would face total disaster if anything happened to the fishing industry.

The Shetland fishing fleet is based on Whalsay, once described as the richest island in Britain. It relies 100 per cent on fishing. Its purse netters are fishing for mackerel off Cornwall. With a new purse netter due to arrive at the end of this month and another on order for next year there are fears among the older generation of fishermen that the younger crews, who are having to borrow heavily to finance these boats, are taking a great risk.

## Slump

When the Shetland fleet go to their traditional white fish grounds they find them overcrowded with deep sea trawlers forced to fish nearer home because they have been driven out of Iceland and given only a meagre quota from the Faroes. Up till the end of September, the white fish catch had slumped by 40,000 cwt and the returns at £2.4m were down by almost £0.5m.

Fish processors in Shetland are also facing problems. One factory in Yell has already closed while Whalsay Fish Processors Limited, has over the past few years gone from strength to strength. With the installation of highly sophisticated freezing and packaging equipment, it is now looking to provide a leading supermarket chain in England with prepacked frozen fish.

The current plight of the industry can be summed up in the words of Mr. Charles Meek, chairman of the White Fish Authority: "It is clear a great many fishermen have done exceedingly well in the past year but it is to be hoped this success will not be allowed to mask the realities of imperilled stocks, dangerously high prices and a fundamental lack of control over British resources to which our Community partners have equal access."

While the politicians are dilly-dallying the fishing industry, particularly in Scotland, is crumbling away.

Leslie Able

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## Problems in engineering

AT FIRST SIGHT Scotland's engineering industries appear to be staging a slight recovery from the slump at the end of last year. Industrial production figures for the first quarter of this year compared to the last quarter of 1977 were up by four per cent—double the UK increase.

But the impression given by official statistics hardly corresponds to that given by the constant news of closures and lay-offs which has been trickling out throughout the year. In fact if we discount the fourth quarter of last year, when the production index fell to 97 (1970=100), we see that the new figure of 101 was the lowest since the summer of 1973.

As is often the case, the official figures give a misleading impression of the state of health of engineering in Scotland. Not only are they considerably in arrears, but they group together very different activities with widely diverse experiences. On closer examination, much of the apparent revival is due to the continued growth of electronics and the slight recovery of shipbuilding from its very low level last autumn (although shipbuilding is lumped together with vehicle building, so it is impossible to get a clear picture of what is happening in either industry).

The picture throughout this year has been gloomy, with very few bright spots to relieve the gloom. Perhaps the only encouraging thing one can say about engineering in general, is that the Scottish economy is relying less and less on it. Recent studies have indicated that it has been displaced from its once central position and that the economy is far more diverse than had been imagined.

A number of important Scottish companies have announced substantial reductions in their labour forces or the prospects of reduction. They include Hoover, which announced plans to close its smallest plant at Hamilton and warned that the continuing low level of demand for domestic electrical goods could mean that redundancies are necessary among the total 3,500 workforce. Sunbeam, another electrical goods manufacturer, said that it might have to close its plant at East Kilbride unless productivity was increased. More recently, Massey-Ferguson said that it had plans to shed 1,000 of the 1,500 jobs at its Kilmarnock combine harvester factory as part of its programme to reduce losses across the world, and

Singer, which proposed the loss of 2,800 jobs at its Clydebank plants over the next few years. Singer is an illustration of a situation which is occurring again and again in Scottish industry. The company actually wants to spend £5m in new investment at Clydebank, but on a much slimmer operation. It will introduce new models of sewing machine to help it take on competition from Japan, but wants to phase out production of industrial machines and needles.

The workforce, with financial assistance from the Government via the Scottish Development Agency, commissioned PA Management Consultants to prepare a strategy for retaining some of the industrial sewing machine production and has now put this to the management, but at the time of writing the management has yet to respond.

The combination of new investment and reductions in the workforce is not unique to Singer. National Cash Register at Dundee has faced similar problems of having to re-equip to meet technological change and increased competition, while reducing drastically its labour requirements and in the few rescues that have taken place of collapsed companies a similar drop in employment has occurred. Neptune International, of Atlanta, for example, took over the collapsed Glenfield and Kennedy works at Kilmarnock at the end of last year to the great relief of the town, which feared the total loss of one of its biggest employers.

### Project

There have, however, been some items of good news. Babcock and Wilcox, which last year expressed grave uncertainty over the future of its Renfrew plant, now—after the Government's decision to bring forward the Drax B power station order—feels sufficiently confident to plan a £70m reconstruction of the site, making it one of the most modern and efficient boiler making plants in the world.

The final go-ahead for the plan depends on an agreement with the Government and the electricity supply industry on the timing of new power station orders through the 1980s and 1990s. There have been differences between the power station plant industry and the Central Electricity Generating Board over the Drax contract and will doubtless be more in the

future. But as the alternative to some general agreement is the collapse of the British power plant industry, it seems unlikely that some form of understanding will not be reached.

The Scottish Development Agency has also been active during the past year, and among its most significant investments was the £3.5m secured loan towards Caledonian Airways £5m engine overhaul centre, to be built close to Prestwick Airport. When it is complete, the factory will employ 250 and be among the most advanced of its kind in the world, catering for the General Electric CF6 Turbofan engine.

### Success

Another SDA-aided company, Stonefield Vehicles, in which the Agency has a 75 per cent stake, recently launched a sales drive in the Far East to promote its four-wheel-drive rough terrain trucks. The company, which employs 150 people, has been in production only since the spring, but has already sold 40 vehicles worth £500,000. Its success, and that of another relatively small Scottish producer, Volvo Trucks (Great Britain), is in contrast to the very mixed year that the two major companies in the field, Chrysler and British Leyland, have had over the past year.

Volvo, known until last month as Alfas Trucks but now trading under its parent company's name, has steadily increased its output of buses and lorries and is aiming next year for an output of 1,300 vehicles. Mr. Steig-Årme Olsson, managing director of the Irvine-based company, said at the opening of the Motor Show that sales next year could top £100m—a higher figure than that expected for Volvo in its home country of Sweden.

Chrysler's Linwood plant, which manufactures Sunbeam and Avenger cars, and British Leyland's Bathgate truck and tractor factories, were both hit by lengthy and damaging strikes this year which in both cases seriously threatened their futures.

In Chrysler's case, the end of the five-week stoppage of paint shop workers, seems to have been an opportunity for a fresh start to industrial relations and productivity, which had slumped badly in the first half of the year, has been higher, on some occasions reaching 90 per cent of targets—little short of the plant's productivity record.

These improvements will have to be maintained if the plant is to win the confidence of its new owners, Peugeot-Citroën. Its long term future depends not only on good industrial relations, but also on the success of the Sunbeam small car, launched into Europe this summer—and the development of a new medium car to replace the eight-year-old Avenger.

R.P.

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## Steel investment

AN ENCOURAGINGLY high level of investment has been maintained this year in the Scottish steel and metals manufacturing industry, despite the continued severe depression in demand for most products.

The British Steel Corporation, by far the largest producer in this sector in Scotland with 20 works employing 21,000 people, continued major expansions of liquid steel production, tubes manufacture and foundry facilities.

Private foundries completed a string of developments financed over the past three years by the Government's successful ferrous foundry scheme, which has made payments of over £6m in Scotland.

And British Aluminium, who operate the three smelters at Invergordon, Lochaber and Kinlochleven, are considering a major expansion of aluminium production in Scotland and expect to announce their conclusions next year.

BSC have this year still been in the frustrating position of having to finance heavy expenditure on new low-cost equipment without having the plant on stream to reduce costs.

Consequently, when the corporation announced its half-yearly results next month the Scottish division, which lost £83.3m last year after interest, is still expected to be heavily in the red.

But significant progress was made this year towards getting the vital new plant on stream. The £230m programme to double liquid steel output from the main Scottish works at Ravenscraig to 3.2m tons is now more than two-thirds complete.

While capacity just now is still much the same as before, at around 1.5m tons, this is expected to rapidly increase next year and again in 1980. The installation of some of the most sophisticated equipment in the UK—130-ton basic oxygen steelmaking vessels producing continuous casting machines—means that costs should show a sizeable reduction.

By the end of the year, too, the Scottish division will have completed the phasing out of the older costly open-hearth furnaces, the last one still in operation, at Gt. Glenarnock, is due to close on December 23.

Linked with this strategy to concentrate bulk steel production at Ravenscraig is BSC's £100m deepwater iron ore terminal at Hunterston on the

Ayrshire coast. This jetty, the largest in the UK, will from next summer be capable of taking bulk carriers of up to 300,000 tons, unloading their cargoes and ralling them the 40 miles to Ravenscraig.

There has been investment too in BSC's other Scottish works which do not belong to the Scottish division. At the Clydesdale and Imperial tube works of the Tubes Division about £45m has been invested in almost doubling output of seamless casing tube for oil wells.

BSC has consistently won over 90 per cent of all orders for North Sea casing, with more than 250,000 tonnes of Scottish-produced casing now installed. The expansion, involving a new electric arc furnace, has led to BSC competing in markets as far afield as Russia, China, the U.S., and Middle East.

The Sheffield-based foundries division also has spent money in Scotland. It recently inaugurated its modernised and expanded Craigmyle foundry in Wishaw, at a cost of £7.3m.

### Mills

But while this development has continued apace, the deepening recession in demand is causing major problems for the corporation's Scottish mills, which are at present operating at just 50-60 per cent of capacity.

The hot and cold rolled strip which is a main product from Ravenscraig and its associated Cartosh mill goes largely to the car and consumer durable markets. Even the pick-up in car demand this year has proved insufficient to boost output significantly.

Another staple Scottish product is plates for shipbuilding. Although the Scottish division has been most successful—largely because of low pricing—in winning the bulk of orders for plates for offshore oil platforms and other North Sea developments, it is still not enough to make up for the heavy decline in demand from the shipyards, which can only get worse.

The two direct reduction plants being built at a cost of £80m at Hunterston—the first in the UK—are to be mothballed when completed in mid-1979. They were intended to produce 800,000 tonnes a year of iron pellets as feed for electric arc

furnaces, but the present low price of scrap has ruled them uncompetitive for the moment.

BSC has also had to hold the cancellation of 800,000 tonnes of new electric arc capacity at Hunterston and Ravenscraig, until there is a market, and the oft-aided dream of a major integrated steel plant at the Ayrshire peninsula has now faded into the dim mists of at least the next decade, if not the 1990s.

The corporation faces two major problems in Scotland over the coming year: to begin to reduce its losses in line with the national BSC target of viability by 1980, and to find a market for its products which are soon sharply to expand as new developments come on stream.

Mainly because of the Ravenscraig scheme the Scottish division's share of total BSC output is set to rise from about 11 per cent to 15 per cent by 1980-81. It remains to be seen whether the Scottish works can sell more steel south of the border and overseas to make maximum economic use of its expensive new equipment.

In the iron-making sector the Scottish Economic Planning Department has to date made offers of assistance totalling £8,556,132 to 28 foundries, including two BSC works at Craigmyle and Fullwood.

Although there remain some late offers still to be taken up, it is already clear that the Scottish foundry industry has undergone a substantial modernisation under the Government's scheme which must improve its ability to compete with the rest of the country in such vital markets as the motor industry and hydraulic valve industry.

British Aluminium's study of possible developments at their Scottish smelters stem from the fact that primary capacity in the UK is still more than 150,000 tonnes short of domestic consumption. Demand is rising worldwide despite the recession, and some sources of supply, particularly in the U.S., have become increasingly unreliable.

The main Invergordon smelter, with an annual capacity of 100,000 tonnes and opened less than 10 years ago, relies for its profitability on 200 megawatts of a year of cheap electricity from the South of Scotland Electricity Board. Any potential expansion would have to be linked to a similar agreement.

Lewis Thornton



# Innovators and the law's delays

BY A. H. HERMANN, Legal Correspondent

مكتبة القانون

LAWYERS on both sides of the Atlantic are trying to devise measures which would reduce the adverse effect which product-safety legislation has on innovation.

Long and costly tests necessary in order to obtain an official certificate of safety for an ever-increasing range of products reinforce tendencies unfavourable to innovation which have been apparent for some time in modern industrial societies.

To a certain extent this is the inevitable price for eliminating as far as possible the dangers associated with technological progress and mass production methods. It is another question whether it is really necessary and desirable for these measures to bring innovators to a standstill, or whether innovators as they do at present, moreover, the burden placed upon innovators reinforces tendencies militating against them that have become apparent in modern industrial societies.

## Protection

The history of the past 100 years has been largely one of incessant innovation, first in the mechanical and electrical industries and later in the chemical and electronic industries. During the greater part of this period innovators were protected and encouraged by laws designed to ensure that the time and expense needed to develop a new product could be recouped with profit, provided the market approved of the product. The legal machinery serving this end consisted of patent, copyright, and industrial design laws protecting inventors and creative artists; of trade mark laws protecting those who took the trouble to market goods of a quality worth remembering;

and of laws protecting industrial and business secrets, enabling those who would or could not rely on a patent to bring a new product to the market well ahead of imitators.

Recent legal developments have put a brake on the pace of innovation. They include the gradual erosion of the patent system by the ease with which chemical or electronic innovations can be modified to enable those with money for litigation to bring suit against the innovator. The restrictions of patent licensing already put into effect by the EEC Commission, or proposed by the Commission and the developing countries, further diminish the rewards of innovators.

The limitations to which EEC law subjects the use of trade marks is well known. One can sympathise with efforts to stop the abuse of trade marks for brainwashing consumers by means of concentrated advertising. It is also justifiable to oppose the use of trade marks for the cordoning off of national markets intended to protect higher price levels in one member country.

It is, however, not widely known that the two latest trade mark decisions of the European Court allowing, under certain conditions, the repackaging of products by dealers not authorised to do so by the manufacturer, provided legal mantle under which dishonest operators could sell imitation products under the trade-mark owner's label. The first decision taken in the dispute between Hoffman-La Roche and Centrafarm makes it possible for an importer to re-pack a trade-marked product and to sell it under a label bearing the original trade mark.

In the second case, concerning a dispute between Centrafarm and American Home Products, the possibility was opened up for the importer to re-pack the trade-marked product under a different trade mark raised by the same manufacturer in the country of importation.

Product liability legislation enacted as proposed by the European Commission, would make innovation very risky by making innovators responsible for defects of products which could not be foreseen or detected at the time the product was placed on the market. In October the European Parliament returned the proposed directive to its Legal Affairs Committee, which had earlier rejected it by a vote of 13 to 12.

One of the many objections against the draft is that it would introduce no-fault liability for newly developed products and thus increase the risk connected with innovation. In this connection, one can ask whether the public interest in innovation should not be reflected in a public responsibility for damages exceeding a certain percentage of the innovator's turnover.

The increasing restrictions on the use of patent and trade mark rights and the erosion of copyright by new reproduction devices diminish the advantages so far enjoyed by innovators, and a stricter product liability imposes new burdens on them.

But the increasing volume of product safety legislation provides imitators with an important advantage which further reinforces the change in the economic climate to the detriment of innovation. The safety of drugs legislation has been for a long time a feature of all civilised legal systems. But the time and outlay required for the completion of biological and clinical tests to satisfy health authorities is constantly increasing.

Expensive and time-consuming tests are also required before obtaining approval for insecticides and all sorts of plant protection products—and quite rightly so, as these can be even more dangerous to human health and environment than medicines. Numerous other chemical, electrical and radiation products have to be proved safe before their marketing is allowed. The same applies to new types of motor cars and other automotive machines and to building materials.

The development of products which are subject to preventive safety regulations has to take into account not only technological and commercial requirements but also the legal requirements and standards of all countries where it is hoped to sell the product. But that is not the end of the story. Once development has been completed and the product tested and approved within an enterprising, it will have to be subjected to a series of controlled tests yielding verified results capable of satisfying the approving authority.

Approval can take two forms. Either, as is often the case with new building materials or chemicals used in agriculture or industry, a general authorisation will apply to the new material and anybody may start making it or selling it without having to go through the long and costly process preceding an

approval if the imitators are either financially stronger or have a better distribution network, so that they can beat a trade mark which is backed by adequate advertising and promotion and has only the dubious advantage of having appeared a few months earlier.

If the imitator has to obtain approval for his own product, as is mostly the case with pharmaceuticals, insecticides, electrical devices and other complex products, the approving authority will approach his application with the knowledge that a product of this type can be harmless. Depending on the possibilities of variations introduced by design or in the course of the production process, it will require only supplementary tests or none at all. The benefit of the knowledge which cost the innovator much time, effort and money will be obtained by the imitator free of charge. There is, however, no chance that imitator could be made to pay compensation on the grounds of "unjust enrichment." He did not receive anything in the legal meaning of that word; he was merely saved further expense and loss of time.

Where the authorisation concerns the application of a certain material or standard mechanical device, for example in building construction, it is usually of the first type, open to everybody. The only possibility open to the innovator is to try to salvage as much as he can of the advantage of having been first by means of trade mark rights. This will be of little

avril if the imitators are either financially stronger or have a better distribution network, so that they can beat a trade mark which is backed by adequate advertising and promotion and has only the dubious advantage of having appeared a few months earlier.

If the imitator has to obtain approval for his own product, as is mostly the case with pharmaceuticals, insecticides, electrical devices and other complex products, the approving authority will approach his application with the knowledge that a product of this type can be harmless. Depending on the possibilities of variations introduced by design or in the course of the production process, it will require only supplementary tests or none at all. The benefit of the knowledge which cost the innovator much time, effort and money will be obtained by the imitator free of charge. There is, however, no chance that imitator could be made to pay compensation on the grounds of "unjust enrichment." He did not receive anything in the legal meaning of that word; he was merely saved further expense and loss of time.

## Hopeful

The position of the innovator seems, in theory at least, somewhat more hopeful when the authorisation or certification of the product leads to publication of knowledge acquired during the development or testing process, or if such knowledge is imparted by the authority to imitators in the course of processing their applications. It seems rather doubtful that an enforcement of confidentiality would be of great practical value, even in countries which recognise that government agencies may use confidential information only for the purpose for

which it was obtained. But there could be a claim against the imitator using knowledge concerning a patentable product. If courts follow the reasoning of the German Constitutional Court. This decided in 1971 that such knowledge was intellectual property and as such guaranteed protection by the German Fundamental Law.

## Compensate

The recognition that knowledge acquired during the development and testing of a new product is intellectual property deserving protection also underlies the U.S. Drug Regulation Reform Bill (1978). This would provide that the testing data should be made accessible to all legitimately interested parties—for example consumer organisations—but would compensate the innovator by prohibiting commercial exploitation of such information for a period of five years.

An attempt to protect the innovator was made in the U.S. in 1975 by the Amendment of the Federal Insecticide, Fungicide and Rodenticide Act. It provides that the approving authority may use the data obtained from an earlier applicant only if the later applicant can show that he has obtained permission from the first, or at least has offered him reasonable compensation. This provision seems to have met with difficulties of application and a number of legislative proposals to improve it are now being considered in the U.S. All these proposals would require each applicant to prove the safety of his product by his own tests. The innovator who has obtained a previous safety approval for his product would be protected for a period—proposed variously to be between seven and ten years—during which the strictness of the pro-

tection would be gradually reduced. In the first phase, the innovator would be guaranteed the exclusive use of his test results and later applicants would benefit only after obtaining permission from him. In the second phase, the later applicants could be accorded the benefit of the knowledge gained by the authority from the first applicant in a procedure not unlike the granting of a compulsory licence. In other words, a period of absolute protection would be followed by a second period in which the imitators could benefit from the work of the innovator on condition that they paid him a lump sum or a royalty determined in much the same way as in the case of a compulsory licence for the exploitation of a patent.

A similar solution is considered to be desirable by the majority of EEC member states in connection with the proposed amendment of the 1967 EEC directive on the grading, packing and marking of dangerous substances. Under this proposal, a later applicant could use the data submitted by an earlier applicant only with the approval of the latter.

It remains to be seen whether these ideas will be given wider acceptance. The need for some balancing of the disadvantages which innovators now suffer should be seen as one of the important problems of European industrial policy.

The discussion now centred on product liability and the future of patents and trademarks ought to be widened to embrace also the consequences of preventive control of product safety. Though it certainly would not be an easy task, it does not seem altogether impossible to ensure that measures designed to ensure product safety or to protect competition do not militate against innovation.

## Letters to the Editor

### Inflation and incomes

From Professor D. Johnson.

Sir,—It is with some trepidation that I reply in a critical manner to my friend and colleague, Professor Basil Moore (Nov. 10). One need not however, substitute good manners for a friendly clash of ideas.

Professor Moore proposes the integration of an incomes policy with monetary-fiscal policy to eliminate inflation. He believes in what I call the "naïve" cost (wage)-push theory of inflation; naïve because it substitutes a description of the process of inflation for a causal explanation. He argues that it is necessary to find some way of operating on the rate of wage increase directly. According to Prof. Moore, the Government should place "... a simple tax on excessive wage increases." And this tax-based incomes policy (TIP) must be integrated with wage monetary aggregate of monetary policy.

I suppose that most, if not all, businessmen in this country (United States too) believe that inflation is produced in just the way described above. But this is a misconception of the inflationary process resulting from the fallacy of composition. What is true for each individual is many times the opposite of what is true for everybody taken together.

To any given businessman the pressure on him to raise prices comes in the form of an increase in wages and costs. He believes that he is forced to raise prices because of this. And he is correct. If the individual businessman deals with a union, he will attribute this pressure to the union. If there is no union, he will attribute it to some other force driving up wages. And because it is true for the individual businessman that cost increases have forced up his prices, many therefore conclude that the overall level of prices will be increased in a continuous manner by the same wage pressure. But this is fallacious.

If the monetary authorities refuse to accommodate high wage demands, aggregate wage pressure does not actually increase. A prior increase in the money supply is required. Thus money, not wages, determine the price level.

Now, where does this leave any sort of incomes policy? An incomes policy must somehow keep people from spending their money, reducing velocity—that is, unless you get people to hold more cash, nothing will happen through an incomes policy of any sort. Saving money in financial institutions doesn't count because that money is loaned and spent—people have to be persuaded to "stuff" money in mattresses.

The above does not mean that I and other monetarists are oblivious to the possible short-run costs of rising unemployment, resulting from anti-inflationary monetary policy. I feel that the question of the unemployment cost of eliminating inflation is like asking someone "how long you last beat your wife?" The relevant question is given the likely economic agents ready to spend—future inflation, what will be the unemployment cost of not beating inflation? It can be shown that if a country allows inflation to accelerate it will

have a higher unemployment rate than if it was eliminated. Dudley W. Johnson, (Professor of Business Economics, University of Washington and Sir John Cass, Senior Research Fellow 1978-79), City of London Polytechnic, School of Business Studies, 84, Moorgate EC2.

### A policy for pay

From the Chairman, Creamline Dairies

Sir,—Currently there is considerable argument as to the merits or otherwise of an incomes policy; there is evidence that high taxes and welfare payments are encouraging idleness and strikes, and the chairman of the Supplementary Benefits Commission has warned that the system is becoming so complicated that it is in danger of breaking down.

It would seem to me that these three problems might be mitigated by the introduction of a statutory minimum hourly wage rate for all adult workers (based on a 40-hour week) related to the retail price index and adequate for all essentials such as food, clothing and housing, etc., plus a further percentage to cover reasonable luxuries. This would be reviewed periodically, but if attempts were being made to check inflation the "luxury" element of the wage need not necessarily be increased automatically. Unemployment and sick benefit would cover essentials only, and some of this could be given in voucher form to further discourage the small but significant percentage of idlers and malingers.

Most of the bureaucratic, undignified and expensively administered subsidies included in the social wage could then be abolished but it would be necessary to retain and possibly extend family allowances to cater for the differing needs of those with children. These would be given regardless of whether the individual was working or not.

Provided that the Government

kept a strict control of the money supply and discontinued the practice of subsidising the strikers' families it would then be possible for individuals or groups of workers, who together they had a case, to negotiate for wages in excess of the statutory minimum without interference from any outside body. Principal factors affecting the negotiations would be the relative degree of the skills of the workers, and also the prosperity of the individual firms or industries involved. For example, skilled joiners in a depressed building industry might get less than semi-skilled workers in a prosperous computer factory, but the position would be changing constantly.

Some might argue that a minimum wage would price poorly paid workers out of a job, but surely this is specious. It cannot make sense to pay inadequate wages and then supplement them with a bewildering variety of benefits. If there are sound reasons for assisting certain industries, then import duties or direct subsidies would be better and cheaper than indirect wage subsidies.

The policy outlined above would, I believe, reduce bureaucracy, cut Government expenditure, improve the dignity of the worker and introduce a sense of reality to industrial relations. It would also enable the Government to clearly establish the national "guide lines" by the extent to which the minimum wage was adjusted, without involving itself in a rigid pay policy and direction to sell a work of art to an overseas buyer, since the dealer's receipts from such a sale are the same as if he had sold to a United Kingdom customer.

The fact is that for a dealer's receipts to be identical his prices have to be exclusive of VAT liability, as indeed they frequently are. For example, a leading dealer in fine engravings regularly prints the following in his catalogues: "English customers will be required to pay 6 per cent VAT in addition to the listed price. Prints sold to export customers are exempt from this tax." There could be no clearer example of how collectors in the United Kingdom

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In addition, Lord McCuskey claimed that "It is usual to find that the purchaser abroad has to pay VAT on importation of the goods." But this is of course only true of countries within the EEC. Lord McCuskey's briefing was questionable in that it ignored the fact that the United States and Switzerland (where VAT does not apply) constitute by far the most important export markets for works of art.

George J. Levy, Blairmont and Sons, 119, Mount Street, W1.

It is stated that current reversionary bonus rates have been projected forward in the case of the 25-year endowments.

There is to my knowledge no major life assurance company, at least since the end of the First World War, which has minimum without interference from any outside body. Principal factors affecting the negotiations would be the relative degree of the skills of the workers, and also the prosperity of the individual firms or industries involved. For example, skilled joiners in a depressed building industry might get less than semi-skilled workers in a prosperous computer factory, but the position would be changing constantly.

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### GENERAL

Irish Prime Minister Mr. Jack Lynch arrives in London for talks with Mr. James Callaghan about European Monetary System.

Mr. Denis Healey, Chancellor of the Exchequer, meets members of the Labour Party's National Executive's Economic and International Committees.

Mr. Roy Jenkins, European Commission President, meets President Giscard d'Estaing in Paris to prepare for Brussels summit.

Sir Terence Beckett, Ford's chairman, is told of Government sanctions for breach of pay code.

Mr. Elias Sarkis, Lebanese President, arrives in Paris on three-day official visit.

EEC Education and Social Affairs Council meets in Brussels.

Civil and Public Services Association votes for 26 executive council seats.

Newspaper Society technical conference and exhibition opens at Metropole Exhibition Hall, Brighton (until November 30).

Sir Kenneth Clark, Lord Mayor of London, receives Thai Foreign Minister; dines with Bakers' Company, Mansion House.

Mr. Donald McHenry, the U.S. diplomat, arrives in Khartoum for four days of talks.

Symposium on Waste in Government Departments, Porchester Hall, London.

Petrol tankers drivers threaten strike in New Zealand.

Birmingham Chamber of Industry and Commerce holds Middle

### Today's Events

East orientation course (until December 1).

1978 Schools Prom, at Albert Hall (until November 29).

PARLIAMENTARY BUSINESS House of Commons: Debate on oil spillage. Opposed private business.

COMPANY RESULTS Final dividends: Matthew Brown and Co. J. H. Fenner and Co. (Holding), Greenock Properties, Interim dividends: Chamberlain Philips, Country Gentlemen Association, Property and Reversionary Investment Corporation, Sumrie Cloth, Streeters of Gouding, Suter Electrical, Watson (R. Kelvin), Interim Dividends S. and V. Stores.

COMPANY MEETINGS See Financial Diary on page 20.

## SCOTLAND

## DEVOLUTION REFERENDUM SCOTTISH ASSEMBLY OFFSHORE OIL

TODAY: The Financial Times contains an eight-page survey on Scotland. If you have business in or with Scotland you will want to read the survey.

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Viola Foods Ltd. had an encouraging improvement in profitability, with breakfast cereals production approaching forecasted levels.

Total sales of Christmas puddings and mince pies this year should match the very good season of 1977, but in other areas sales levels are still depressed. There are some signs that volumes could improve in certain areas of your Group's activities. With the many problems facing food manufacturers, investigations are currently taking place to continue the diversification of the Group.

The present economic and trading climate makes it impossible to forecast with any accuracy over the short-term situation, but it is clear that the year's profit will be lower than last year's record. However, your Group is very soundly based and your Directors are confident of improved profitability from a wider base in the longer term.



## INTERNATIONAL COMPANY NEWS

## UK PENDING DIVIDENDS AND ISSUES

## AMERICAN AIRLINES

## Recriminations mount in New York

BY JOHN WYLES

NEW YORK, Nov. 26.

A SHOCKED and increasingly irritated American Airlines is finding itself the target of mounting public recriminations over its decision to move its corporate headquarters out of New York.

The anger generated in the city's business and labour community was clearly unexpected and the airline is particularly upset by Warner Communications' widely publicised move to leave all of American's territory. According to Warner this will cost American about \$1m a year in lost revenues which would normally be spent with

the airline by the communications conglomerate.

Mr. Albert Casey, American's chairman, is so enraged by this public recrimination that he is threatening to transfer more than the 1,200 of the airline's 9,000 New York area employees to Dallas, Texas. But this might invite further boycotts of the airline which is really being condemned for rocking the boat at a time when New York is fighting desperately to polish its image and attract new jobs.

Seeing a sly opportunity to best a rival, Trans World Airlines has taken full page

## Vote by Dove shareholders for liquidation

By Fay Gjerster

OSLO, Nov. 26.

SHAREHOLDERS in the troubled Norwegian insurance company Dove voted unanimously to wind up the company, in accordance with a plan drawn up by Norway's five largest non-life companies. At the same time, the Norwegian Insurance Companies' Association announced that it will seek a public inquiry into the events which led to Dove's crisis.

The plan, which aims at liquidating Dove without having it declared bankrupt, is the result of weeks of negotiations between the five companies and Dove's largest creditors, most of whom have agreed to settle for only about half the amount due to them. In return, the five companies - Storebrand, Vesta, Gjensidige Skade, Norden and Noreas Brannkasse - have guaranteed that between them they will put up the money needed - estimated at about Nkr 40m (97.5m) - to allow a controlled winding-up. They have invited other members of the Insurance Companies' Association to share the burden.

Two of the five - Storebrand and Norden - will put up any additional funds that may be required over and above the Nkr 40m.

## Ferodo expands components control

BY DAVID WHITE

PARIS, Nov. 26.

FERODO, the French motor components group which two months ago upset the expansion plans of the UK's Lucas Industries, is making two more important moves to strengthen its market position in Europe.

Firstly, Ferodo has, for an unspecified sum, bought control of a Spanish Transalpina, a company based in Saint-Etienne with a workforce of 2,500 and a turnover approaching FF 500m (over \$100m).

The purchase pre-empted the reported intentions of Dana Corp. the U.S., a minority shareholder. Some make about 30 per cent of its turnover abroad and has production facilities in Spain and the U.S.

Ferodo said that the take-over marked an important step in strengthening the group's interests outside motor cars. Some's products are also used in heavy vehicles, construction machinery and other areas.

## CANADIAN RETAIL TRIANGLE

## Legal hurdle for the Bay

BY JIM RUSK IN TORONTO

THE BID by Hudson's Bay Company of Winnipeg for Simpson's Ltd., of Toronto and the competing offer from Sears-Roebuck of Chicago, are becoming bogged down by legal considerations.

Canada's Minister of Industry, Trade and Commerce, Mr. Jack Horner, has promised that the country's Foreign Investment Review Agency will move as expeditiously as possible to consider the merger between Simpson's and Simpson-Sears, a company which Simpson's controls at first right of refusal to buy Simpson's shares in Simpson-Sears, at book value. The current book value of the 30m shares is

CS\$157.8m (U.S.\$183m) or about \$3 a share less than the current market.

The clause complicates Hudson's Bay's position. Hudson's Bay has indicated that it would be willing to dispose of the Simpson's equity in Simpson-Sears in order to keep the acquisition from running foul of Canadian competition laws. However, if the 1952 agreement to sell were to apply to a Hudson's Bay in control of Simpson's, the sale, which would give Sears-Roebuck 80 per cent of the equity in Simpson-Sears, would be at a price that is probably lower than the Hudson's Bay is counting on.

Currency, Money and Gold Markets  
Europe's brave face

BY COLIN MILLHAM

President Giscard d'Estaing appears resigned to starting the European Monetary System with Britain, but is keen enough to have sterling as part of the operation, since he says that France is willing to Britain to join after the starting date.

As far as countries like France, Italy and Germany are concerned it would be to their advantage to see sterling in the system, if only to spread the pressure which may build up against their own currencies, which they are forced to keep in line with the D-Mark.

However nervous certain European leaders may be about the future of the EMS, there was no sign of anything but confidence from most central banks when the money in Paris fell to 60 per cent, the lowest level since early February 1976, apparently reflecting the confidence of the authorities in the French franc.

On Friday it was announced that French M-1 money supply rose by only 0.9 per cent in August, following a rise of 2.3 per cent in July. Retail prices rose by 1.8 per cent in August, against an annual inflation rate of 3.2 per cent, compared with about 2.1 per cent in Germany, based on the consumer price index.

The Italian authorities also gave an impression of reasonable confidence, easing the restrictions on foreign trade by increasing the number of days that exporters and importers are allowed to hold foreign currency to 15 days from seven. In recent months the lira has been fairly steady, easing against most currencies, but rather surprisingly gaining ground in terms of the Swiss franc over the last three months.

## CURRENCY RATES

November 24	Special European	Unit of	Rate
Germany	1.65770	DM 100	1.65770
U.S. dollar	1.29747	\$100	1.29747
Canadian dollar	1.29747	C\$100	1.29747
Swiss franc	1.29747	Sfr 100	1.29747
Belgian franc	1.29747	Bfr 100	1.29747
Dutch guilder	1.29747	fl. 100	1.29747
French franc	1.29747	FF 100	1.29747
Italian lira	1.29747	Lira 1,000	1.29747
Portugal	1.29747	Escudo 100	1.29747
Spain	1.29747	Peseta 100	1.29747
Sweden	1.29747	Krona 100	1.29747
Denmark	1.29747	Krone 100	1.29747
Finland	1.29747	Markka 100	1.29747
Yugoslavia	1.29747	Dinar 100	1.29747
Czechoslovakia	1.29747	Koruna 100	1.29747
Poland	1.29747	Zloty 100	1.29747
East Germany	1.29747	Mark 100	1.29747
West Germany	1.29747	Mark 100	1.29747

## THE POUND SPOT

Nov. 24	Bank rate	Day's spread	Close	One month	Three months	% p.a.
U.S. \$	1.65770	1.65770	1.65770	1.65770	1.65770	1.65770
Canada \$	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Swiss franc	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Belgian franc	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Dutch guilder	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
French franc	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Italian lira	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Portugal	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Spain	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Sweden	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Denmark	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Finland	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Yugoslavia	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Czechoslovakia	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
Poland	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
East Germany	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747
West Germany	1.29747	1.29747	1.29747	1.29747	1.29747	1.29747

## EXCHANGE CROSS RATES

Nov. 24	Pound Sterling	G.I. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.0000	1.29747	1.65770	165.770	6.55957	2.00483	3.76033	203.655	0.71536	65.5957
U.S. Dollar	0.516	1.0000	1.65770	165.770	6.55957	2.00483	3.76033	203.655	0.71536	65.5957
Deutschemark	0.597	0.516	1.0000	165.770	6.55957	2.00483	3.76033	203.655	0.71536	65.5957
Japanese Yen	0.597	0.516	0.597	1.0000	165.770	6.55957	2.00483	203.655	0.71536	65.5957
French Franc	0.155	0.155	0.155	0.155	1.0000	165.770	6.55957	203.655	0.71536	65.5957
Swiss Franc	0.509	0.509	0.509	0.509	0.509	1.0000	165.770	203.655	0.71536	65.5957
Dutch Guilder	0.265	0.265	0.265	0.265	0.265	0.265	1.0000	203.655	0.71536	65.5957
Italian Lira	0.005	0.005	0.005	0.005	0.005	0.005	0.005	1.0000	0.71536	65.5957
Canada Dollar	0.715	0.715	0.715	0.715	0.715	0.715	0.715	0.715	1.0000	65.5957
Belgian Franc	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	1.0000

## MONEY RATES

Nov. 24	Prime Rate	3-month	6-month	12-month
NEW YORK	11.125	9.25	9.25	9.25
London	11.125	9.25	9.25	9.25
Frankfurt	11.125	9.25	9.25	9.25
Paris	11.125	9.25	9.25	9.25
Brussels	11.125	9.25	9.25	9.25
Amsterdam	11.125	9.25	9.25	9.25
Geneva	11.125	9.25	9.25	9.25
Zurich	11.125	9.25	9.25	9.25
Basel	11.125	9.25	9.25	9.25
Lucerne	11.125	9.25	9.25	9.25
Sion	11.125	9.25	9.25	9.25
Vevey	11.125	9.25	9.25	9.25
Yverdon	11.125	9.25	9.25	9.25
Lausanne	11.125	9.25	9.25	9.25
Neuchâtel	11.125	9.25	9.25	9.25
Montreux	11.125	9.25	9.25	9.25
Evian-les-Bains	11.125	9.25	9.25	9.25
St. Moritz	11.125	9.25	9.25	9.25
Chamonix	11.125	9.25	9.25	9.25
Annecy	11.125	9.25	9.25	9.25
Geneva	11.125	9.25	9.25	9.25
Lausanne	11.125	9.25	9.25	9.25
Neuchâtel	11.125	9.25	9.25	9.25
Montreux	11.125	9.25	9.25	9.25
Evian-les-Bains	11.125	9.25	9.25	9.25
St. Moritz	11.125	9.25	9.25	9.25
Chamonix	11.125	9.25	9.25	9.25
Annecy	11.125	9.25	9.25	9.25
Geneva	11.125	9.25	9.25	9.25
Lausanne	11.125	9.25	9.25	9.25
Neuchâtel	11.125	9.25	9.25	9.25
Montreux	11.125	9.25	9.25	9.25
Evian-les-Bains	11.125	9.25	9.25	9.25
St. Moritz	11.125	9.25	9.25	9.25
Chamonix	11.125	9.25	9.25	9.25
Annecy	11.125	9.25	9.25	9.25
Geneva	11.125	9.25	9.25	9.25
Lausanne	11.125	9.25	9.25	9.25
Neuchâtel	11.125	9.25	9.25	9.25
Montreux	11.125	9.25	9.25	9.25
Evian-les-Bains	11.125	9.25	9.25	9.25
St. Moritz	11.125	9.25	9.25	9.25
Chamonix	11.125	9.25	9.25	9.25
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Geneva	11.125	9.25	9.25	9.25
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Chamonix	11.125	9.25	9.25	9.25
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Lausanne	11.125	9.25	9.25	9.25
Neuchâtel	11.125	9.25	9.25	9.25
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Evian-les-Bains	11.125	9.25	9.25	9.25
St. Moritz	11.125	9.25	9.25	9.25
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Montreux	11.125	9.25	9.25	9.25
Evian-les-Bains	11.125	9.25	9.25	9.25
St. Moritz	11.125	9.25	9.25	9.25
Chamonix	11.125	9.25	9.25	9.25
Annecy	11.125	9.25	9.25	9.25



# Gold dividends should be good

BY LODESTAR

THE GOLD price is bearing up quite well under its recent price declines. The market has already gone through the fire of the first of the increased monthly sales by the U.S. Treasury. But the doubled offering of 100 ounces on December 1st still has a strong re-inforcing effect. At the moment there seems to be some buying strength when the price dips below \$200.

In the meantime, South African gold shares continue to face a sell-off. The market has been hit by a sharp decline in the price of gold, which has led to a sell-off in the shares. The price of gold has fallen from a high of \$200 to around \$180, which has led to a sell-off in the shares. The price of gold has fallen from a high of \$200 to around \$180, which has led to a sell-off in the shares.

But particularly for those who have been buying gold shares, the price of gold has fallen from a high of \$200 to around \$180, which has led to a sell-off in the shares. The price of gold has fallen from a high of \$200 to around \$180, which has led to a sell-off in the shares.

## Vaal Reefs

The bulk of the announcement of the Vaal Reefs gold mine in South Africa, which is expected to be completed in 1980, has been a major factor in the price of gold. The mine is expected to produce 100,000 ounces of gold per year, which is a significant increase in the supply of gold.

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## WALL STREET

NEW YORK	High	Low	Stock	Nov. 26	Nov. 27
30	25	24	Gold	254	254
31	25	24	Gold	254	254
32	25	24	Gold	254	254
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# Some drivers more equal than others

BY OUR INSURANCE CORRESPONDENT

NO ONE questions that the purpose of insurance is to amass the contributions of the many to pay for the misfortunes of the few. But there is always argument over the level of individual contributions for particular risks.

It is generally accepted, apart from the State sector where we all pay flat-rate contributions, that National Health Insurance is a form of insurance which is a statistical average risk. If there is a statistical average risk, then variations from that average should be paid more or less in premium accordingly.

In Britain, big companies writing motor insurance have, for most of this decade, submitted underwriting and claims data to the Motor Risk Statistics Bureau set up by the British Insurance Association.

They regularly receive computer printouts showing costs in a series of "one-way" analyses, for example, by age of driver, type of car, and so on.

Partly that is so at the outset because of inexperience; partly it continues to be so through the late teens and well into the twenties because of youthful exuberance, impetuosity, even lack of consideration for others.

That is true not only in Britain but throughout the world. Consequently, the young motorist has to pay more than his older neighbours and the novice young motorist even more for less cover.

In the U.S., which has all kinds of consumer pressure groups and where each State has an insurance commissioner who in some degree controls ratings, it is not just for motor insurance that the young motorist has to pay more than his older neighbours and the novice young motorist even more for less cover.

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# WORLD STOCK MARKETS

## Indices

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## INTERNATIONAL BONDS

BY NICHOLAS COLCHESTER AND JOHN EVANS

**THE EXTENSIVE** use of applications to the Japanese Finance Ministry for issues of foreign currency bonds shows that Japanese enthusiasm for the bond market in Germany and Switzerland is greater than ever before. Twelve D-Mark issues in the first quarter will total some DM 500m while almost 200 Swiss franc placements, and convertible placements, will tap SwFr 1bn.

The news has spread into a market which is already going through a rough patch. The dollar, which has been a D-Mark and the Yen in the wake of the Carter package has removed much of the speculative charm of bonds denominated in Swiss francs. The yen is also in a comparable in shares denominated in another. Nor has the Japanese stock market been going anywhere fast over the past two months.

The recent DM-convertible for the Nippon Yusen shipping company proved a dud. It was trading at 96.95 on Friday after being priced, as normal, at par. Bankers are therefore looking askance at the DM 150m convertible for Sharp which WestLB is due to price on December 1. This is an unusually big bond placement and the Japanese authorities, that the yield may have to be firmed up to four per cent from the standard 3.5 per cent. The conversion premium is supported by the Japanese authorities, but the pill can be sweetened with an attractively pitched fixed exchange rate for conversion as WestLB does with Nippon Yusen.

The list for the first quarter includes a Sumo-sized DM 200m convertible for Kansai Electric Power, and according to Nomura Securities, a threefold issue from the Bank of D-Mark dollars in Swiss francs with the last of these billed as the first ever publicly issued Japanese Swiss franc convertible. Vickers da Japan, which keeps a close eye of Japanese markets, says that the convertible market is going to need careful tending in coming months.

The success of the authorities in helping the dollar and the three strong currencies has been a predictable impact on the Swiss franc foreign bond market. The Swiss franc has risen over the last fortnight, pushing the yield over 10-13 years up 4 per cent. The minimum coupon that a prime borrower could now raise would be 3.75 per cent, where First Chicago paid only 3.5 per cent a fortnight ago.

Borrowers, particularly unqualified corporate borrowers, have been scared away from the Swiss franc market. The Swiss banks do not expect serious accumulation over years, fearful because of a few weeks' weakness in the franc. They are resigning to a slacker Christmas market but already see signs that will become busier again in the New Year.

One distasteful development in Switzerland was the news that Roshier & Roshier had been excluded from the syndicate for the SwFr 50 FRN for Banqu

Nationale d'Algerie. Two Arab banks, too, are involved in the syndicate, managed by Banque Guitierrez, Kurz, Bungeener, they were the Saudi Finance Company and Arab Bank of Egypt. BNA and Guitierrez had to invite Rothschild's to leave, it explained that this was temporarily necessary because of the tension surrounding the Egyptian presidential election.

In the dollar and Deutsche Mark secondary markets, prices moved antithetically last week as many institutional investors returned to the sidelines.

For most market participants, short-term U.S. dollar money market rates were generally favoured over outright purchases of fixed-interest securities.

Uncertainty made its way to the fore again, in the shape of a meeting of the OPEC oil ministers conference in Abu Dhabi, and prospects for an acceleration in U.S. interest rate and inflation trends.

In fact, Citibank led the way on Friday in an 114 per cent

Mizrachi International Finance NY

Indicated term include a minimum coupon of 81 per cent and a five-year maturity. The borrower will pay a financing charge of 1 per cent and the issue will be arranged by Mizrachi Bank itself.

Some bond houses argue that the dollar straight sector could not have proceeded so far without closing after two months.

The secondary market is unable to meet even modest buyback requirements and thereby has led to a level of inventories among dealers houses. Consequently a new issue could enable investors to accumulate bonds in size and a market that may move lower would have to pay more than a 9.25 per cent for an intermediate maturity bond, some underwriters claim.

The firm looks to be well developed in Israel. Dravinsky Rights since 1975 had a moderately bad reception but behaved better than had been

*(Algerie)	50	1985/92	—	1%	100		
*Mizrahi Int. Finance	10	1983	—	6 1/2	100	Mizrahi Bank	6.86
<b>D-MARKS</b>							
*Hatch Shipbuilding	50	1983	5	5 1/2	100	WestLB	5.75
*South African Rail. and Harbours	50	1983	5	7 1/2	99 1/2	BHF-Bank	7.81
*World Bank	400	1988	10	6 1/2	99 1/2	Deutsche Bank	6.32
*Sharp Corp.	150	1988	—	3 1/2	100	WestLB	*
*Tokyo Electric	40	1986	—	3 1/2	100	Commerzbank	*
*Occidental Int. Finance NV	150	1990	9.5	6 1/2	*	WestLB	*
<b>FRENCH FRANCES</b>							
Societe Nat. El. Aquitaine	150	1988	9	9 1/2	*	BNP	*
<b>SWISS FRANCES</b>							
*Banque Nationale d'Algerie	50	1988	9	4 1/2	100	Banque Gutzwiller, Kurz, Bungenier	4.55
<b>YEN</b>							
*Norway	40bn.	1983	5	5.6	99 1/2	Daiwa	5.74
<b>KUWAITI DINARS</b>							
*Banque de Devel. Econ. de Tunisie (c/cred Tunisia)	7	1985	—	8	99 1/2	KIC	8.10
*City of Oslo	10	1990	8.1	7 1/2	*	KIIC	8.10
<b>SPECIAL DRAWING RIGHTS</b>							
*Swedish Investment Bank	25	1985	5.4	9	100	Crédit Suisse First Boston	9.0
* Not yet priced.      * Final term.      * Placement.      * Floating rate note.      * Minimum      * Convertible ** Registered with U.S. Securities and Exchange Commission.      * Purchase fund.							

## SYNDICATED LOANS

BY RICHARD C. HANSON

**JAPANESE** life insurance companies are increasing the pace of their participation in yen loans overseas, with some officials now even envisaging syndicates exclusively managed — and financed by insurance companies — within a year or two, if the authorities permit.

The latest loan for large insurance interest participation is a \$200bn, ten-year credit to the Brazilian Government Agency, the *Superintendencia de Seguros e Aseguradora*, Tokio-Mexico. Life insurance companies put up ¥5.5bn of the loan, managed by Nippon Credit Bank, which will carry for the first five years an interest rate of 0.3 per cent after the Japanese long-term prime rate of 7.1 per cent, and an equal margin over the prime rate five years from now. Two foreign banks, Credit Lyonnais and Lloyds Bank, are also involved.

The first insurance company participation came just a year ago in December with a loan to the Mexican oil company Pemex. Since then (and counting three loans still to be officially signed),

The life insurance companies have contributed to the ¥134.6bn syndicated yen loans to overseas borrowers.

The life insurance companies have to keep overseas loans to within ten per cent of their total assets of around ¥18,000bn. The total so far is a mere fraction of this limit, which illustrates the enormous potential for yen insurance companies.

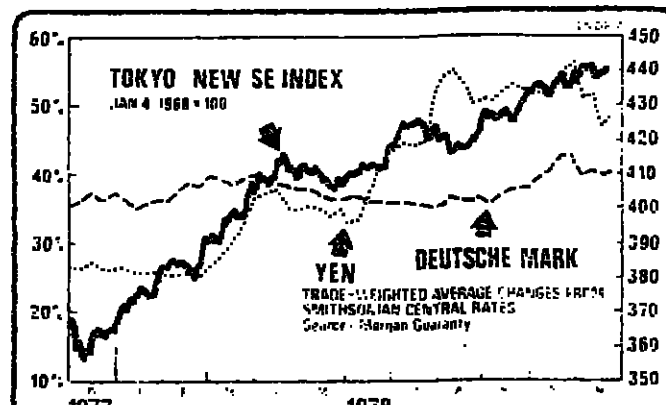
Non-life insurance companies are not at present allowed to lend overseas, but are carrying on discussions with the Finance Ministry to receive such permission.

In the past two months, the life insurance companies have provided a \$700bn credit to the World Bank for 20 years at 7.6 per cent per annum and ¥19bn of a ¥400bn loan to Australia, also at 7.6 per cent for 20 years. Still in the pipeline are plans to carry out a \$100bn loan in a ¥100b-10-year loan to an Algerian state-owned bank. This loan will be managed by Sumitomo Bank, with an interest

rate set at the present 7.1 per cent prime plus 0.3 per cent for two years, and revised each year after that. The insurers will also provide ¥5.1bn of a ¥15bn 10-year loan in Panama at 7.7 per cent per annum.

The largest life insurance company, Nippon Life Insurance, alone has participated in 18 yen syndicates when thus under consideration are finalised. The life insurance companies are cautious about the prospects of successfully managing a loan syndicate, but are nevertheless determined to attract the mandate from potential borrowers who will naturally turn to the banks for assistance.

It is believed, however, that the vast majority of the life insurance companies will have the ability to manage their own loans with little or no help from the banks. In a year, with smaller companies developing such skills in the next two or three years. But there is still strong opposition at the Finance Ministry to the inclusion of the life insurance companies in getting too deeply involved in this business.



BONDTRADE INDEX AND YIELD				
			1978	
	November 24	November 17	High	Low
Medium term	94.65	94.65	95.75 (12 1)	92.72 (30)
Long term	93.85	92.45	94.07 (20 1)	89.82 (30)
EUROBOND TURNOVER				
(nominal value in \$m)				
U.S. dollar bonds				
	last week previous week		1981 week previous week	
Europe zone	1,375.9	1,375.9	2,017	2,017

## U.S. BONDS

BY DAVID LASCELLE

**THE BOND MARKET** rally which began with President Carter's dollar rescue package on November 1 showed signs of faltering early last week. At the time it was explained as much by the strain of Thanksgiving holiday week as by market nervousness. But on Friday, fears became realities when within the space of only an hour, the Fed moved to tighten credit, and the major banks yanked the Prime Rate a whole half percentage point up to 11 1/2 per cent.

The result was an immediate and sharp drop in bond prices, with Treasury bonds at a whole point or more. Thirteen-week Treasury bill rates rose from 8 1/2 per cent bid to 8 7/8 per cent; and there were comparable rises in yields on twelve-month corporate and tax exempt issues.

The rise in prime rate was the less surprising of these two developments, though the banks' decision to go for a 1/2 per cent rather than the usual quarter added to its impact. The banks' cost of funds is still rising sharply, with 90-day commercial paper at around 10.25 per cent, and six-month certificates of deposit a shade higher.

So an increase in the prime was confidently predicted. Significantly, it was repeated by

rate on a mathematical formula using the cost of commercial paper. Predictions that other banks might not follow the full 1/2 per cent jump proved wrong.

There was greater uncertainty over the Fed's intentions, though the knowledge that the open market committee held its monthly meeting on Tuesday sharpened expectations of a change in the key Fed funds rate. Sure enough, as the prime went up on Friday morning, it also became evident that the Fed was draining funds from the market, pushing the rate up from 9 1/2 to 9 3/4 per cent.

Apart from matching the continuing strong upward pressure on short-term rates, the Fed's motives appeared to be linked to the dollar. The Fed's immediate response to the immediate impact of the dollar package on U.S. credit markets by restraining the cost of Fed funds. But in the last 24 days there has been a growing feeling that the rescue operation needed to be bolstered with a tightening of domestic credit markets.

One Fed funds dealer commented that Friday's move might even be the first step in a two-stage operation to raise the Fed funds rate to 10 per cent by the end of the month.

Consumer price index and the latest trade figures are due out in the next few days, and both could bring bad news for the dollar.

A tightening of the Fed fund market did not appear justified by the latest monthly supply figures which showed the M1 fell by \$1.1bn to \$361.3bn. M2 rose slightly to \$871.1bn. The St. Louis Report stated that the monetary base rose \$700m to \$141.5bn. The figure, which includes bank obligatory reserves and currency in circulation, reflects the funds pumped into the system by the Fed to offset the new reserve requirements contained in the dollar package.

With the prime now close to its 1974 record of 12 per cent, economists are sharply divided over the prospects. One of the most insistent is Dr. Henry K. Kissinger. He and Dr. Arthur Schlesinger, Jr., both of whom foresee an unfolding financial crisis with a prime rate "well above 12 per cent" and "high corporate bond yields moving into the 16-11 per cent range. Others maintain that while there is still strong pressure on short-term rates as borrowers scramble for money before rates go even higher, there is bound to be falling demand for new issues, thus forcing down the

**FT INTERNATIONAL BOND SERVICE**[illegible]**CARTER BONDS**

## Treasury securities decision pending

**By Nicholas Colchester**

THE U.S. TREASURY will be moving towards a decision in the next few days "over the exact manner in which it will issue U.S. government foreign-currency securities to the public in Switzerland and Germany," Treasury official organizations these issues said on Friday.

The official said it was "highly likely" that the central banks of Switzerland and Germany would serve as agents for the issues, but that the government had not yet decided the exact mechanism and the terms of the issues had yet to be decided.

he said that there was no "very little question" that Swiss franc and D-Mark securities would be issued within a matter of weeks, though not necessarily all at once. In contrast the Treasury had "not yet taken a decision" regarding the issue of bonds which were initially envisaged. "You can't do everything all at once," he explained when there are so many technical questions to be answered.

Last week the second Treasury bill was sold to the public. Admission to Europe to plan these issues was again with the Swiss and German central banks and the other countries that the United States considers to be the "friendly" countries. The banks of securities emerging are mainly short term, with maturities of between three and five years. There will be special allocations of securities to be sold to go into the hands of U.S. investors who would merely see their dollar securities to buy them.

The official explained that the Treasury had no authority to issue U.S. withholding tax on interest payable on foreign buyers of U.S. securities. But he understood the tax treatment that the U.S. and Germany between that there would be no tax on the German stretch and tax of 5 per cent on interest paid to Switzerland. The net interest payable would have to be acceptable in the Swiss

President Carter announced the planned issue of foreign-denominated bonds in early November as part of his package of measures to support the dollar. The original intention was to issue \$100m of bonds denominated in yen, Swiss francs and D-Marks to provide part of the additional \$300m in foreign currencies which the U.S. was mobilising to provide potential support for the dollar. These bonds would be the first ever U.S. government bonds denominated in foreign currency, available to the general public.

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## UK TRADE FAIRS AND EXHIBITIONS

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

## BUSINESS AND MANAGEMENT CONFERENCES

Mar. 26	ACE International Managing Your Time	Regent Centre Hotel W1
Mar. 27	ACE International Managing Your Time	Park Court Hotel W1
Mar. 28	ACE International Managing Your Time	Intercontinental London Essex

Page 71 - 9 Construction Projects: Inn on the Park, WI  
Strategic Management: Learning Creativity and The Seifridge Hotel, WI

Accountants	Hotel Intercontinental W1
CCC Competition for the FFC	Hotel Intercontinental W1

Company's Maximising Wealth Creation for  
You and Your Future. **Exhibitor: Lancaster House, W2**

4-5 AMB-Eurozone: Critical Legal Issues in the Heston Mount, Bradford  
London International Free

Dec 4 Management in Marsh  
ETAY/ETE Tourism Growth and London L. Marsh Conference Dept.

Dec 5	BSI Electrical Equipment Conference	Wentley Conference Centre
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**TODAY**  
COMMONS—Debate on oil spill  
are opposed private business  
**TOMORROW**

**WEDNESDAY**  
**COMMONS**—Debate on proposed  
European Monetary System  
**LORDS**—Report of the Select

House of Commons, Manner  
Fund, Qualifications of Direc-  
tors of Social Work (Scotland)  
Regulations.

Short debate on increase in atmospheric carbon dioxide and apparent change in global

relations and immigration  
Witnesses: Mr. David Lane and  
Commission for Racial Equal  
its officials. 4 pm Room 6

## Council house sales attack

Book: Shellie's magazine for council-house sales in 1973 as

Sales, and tendency to leave  
owner empty pending sale here

## City speech

Mr. Smith's first opportunity as Minister to outline his ideas on the future of British literature.

# Splitting a stable monetary area for the sake of unity

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26

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هبة امنه الاصل



## FINANCIAL TIMES SURVEY

Monday November 27 1978

السؤال

## Machine Tools

Although some sectors of Britain's machine tool industry have seen a modest recovery in the last 18 months, the prospects for next spring are not so good. If order books plunge back to the level of the recession, many machine tool companies will be under severe pressure.

## Industry is still far from robust

By Hazel Duffy

THE MACHINE tool industry approaches 1979 in a healthier state than it has been in for the past few years—yet it is still far from robust.

Recovery from the long recession began towards the end of 1976. But it has been patchy, and for some sectors of the industry it has been hardly detectable.

Output during the first half of 1978 totalled £244m, and is expected to rise to around £480m for the full year. This compares with £403m in 1977, and £332m in 1976. Considering that machine tool prices have been increasing at above 10 per cent, it can be seen that in real terms the scale of the recovery has been modest.

The industry realised early in the recovery that it was not going to reach the boom level of 1973-74—a fact that was not necessarily regretted when the pressures on cash flow and the shortage of skilled labour problems were still fresh in the mind.

The latest economic forecasts, and the higher cost of borrowing money, have tended to confirm the industry's own forecasts that the upward trend of the past 18 months would in any case come to a halt in the spring of next year.

What happens then will be of critical importance to the industry. If order books plunged back to the levels of the recession, many companies would be under severe pressure.

## Imports

But the general expectation is that the level of activity will plateau out at around that forecast for next spring. At this point, the industry would like to think that it has seen the back of the violent peaks and troughs of the past which have been so difficult to live with—certainly the indications are for a flatter demand-cycle in the future.

Considering that 1973/74 gave renewed impetus to import penetration, this flatter trend

would be welcomed if the downturn was not too severe.

The tendency for imports to continue coming in, even during a period of recession, poses a long-term threat to the machine tool industry.

Imports took about 46 per cent of the home market last year—in 1976, they reached 50 per cent. The industry is proud of the fact that in only two or three years have imports exceeded exports—the pattern for a positive balance in machine tools has been maintained in the past few years.

Last year, exports totalled £184.9m against imports of £144.4m. In the first six months of this year, the industry exported machine tools valued at £109.9m, but imports were edging up to £92.2m.

Despite this positive balance, Britain's share of world markets has declined from nearly 8 per cent in 1971 to 5½ per cent. The machine tool industry is highly international, with substantial trade between the industrialised countries.

Germany, the biggest producer in the world, tops both the export and import lists for Britain, followed by America and Switzerland. Between them, these three countries were responsible for half the machine tool imports last year.

Newer competitors, however,

are creeping into the picture. Spain, South Korea, Taiwan and Brazil are some of the more important competitors.

Nor is it only in more standard machine tools that these countries are competing. Several of the computer-controlled machine tools on show at a recent production engineering exhibition in London, for example, came from Spain, which is coming up strongly in more sophisticated products.

Japan is not the threat in machine tools that it is in the mass volume consumer industries. But its strongly expanding home market has been helping it to enter export markets with more vigour recently. Japan is particularly competitive on price, and some experts believe that its lead in electronics knowhow will enable it to forge new markets in computer-controlled machine tools—it has already made significant inroads in numerically controlled lathes, for example.

Numerically-controlled machine tools account for only about 1.5 per cent of machine tools installed by British industry (against 5 per cent in competitor countries). That tiny proportion represents annual growth over the past few years of around 9 per cent, much higher than for most other types

of tools.

But it is still not enough for the health of the industry, according to Mr. Bill Vaughan, president of the Machine Tool Trades Association, who said recently that unless something is done to boost industry's rate of investment in machine tools—"there is a grave danger of the hardening of our industrial arteries and a decline in our manufacturing capability."

He also mentioned numerically-controlled machine tools as an example of where there could be "a heavy shot in the arm."

The machine tool industry itself has also suffered over the years from under-investment. This is being rectified to some extent by the Government aid scheme which pumped £30m into the industry, generating new investment of around £200m.

The aim of the investment programme is to improve production processes and to encourage manufacturers to incorporate a higher level of technology in their products. Various studies, including work done by the NEDO Economic Development Committee for machine tools, have stressed the need for the industry to put more emphasis on technology.

The need for greater liaison between manufacturer and cus-

tomers in product development has led the EDC to initiate discussions between the Machine Tool Trades Research Association and big customer industries.

There is also scope for more co-operation between the industry and customers in developing export markets—both of these areas are ideal material for the industrial strategy programme, and it will be interesting to see whether anything concrete emerges from these programmes.

Away from the more sophisticated products, some companies continue to be consistently successful with their standard machine tools. For most such companies (Alfred Herbert being the obvious exception), 1978 has been a reasonably good year.

## Competition

Price is obviously an important factor in the standard ranges. After suffering severe price competition during the recession, the gradual recovery in demand has allowed companies to go for price increases over the past year, so that the industry moves into 1979 expecting the full benefits of these increases to show through into profits.

Employment has fluctuated

over the past year, increasing earlier in the year, but tending to fall off more recently. The redundancies at Alfred Herbert will be particularly significant as they amount to sizeable numbers in an industry of quite small companies.

The main labour shake-out in the industry, however, came in the early seventies, so that even during the long recession which followed 1973-74, companies were reluctant to cut back on their workforces.

The machine tools industry has one of the highest concentrations of skilled labour in the engineering sector, and many companies which found themselves with severe labour shortages during the boom have decided it is better to keep labour on. But pay policies having substantially eroded differentials means that shortages persist, and this is one reason that the industry is not unduly dismayed that demand has not returned to a high level.

If the economy can be managed in such a way that the peaks and troughs are flatter than in past cycles, this would be to the benefit of the industry. To a large extent, this lies with factors outside its control. Efforts within the industry to moderate the effects of the demand cycle have included stockpiling schemes, but they

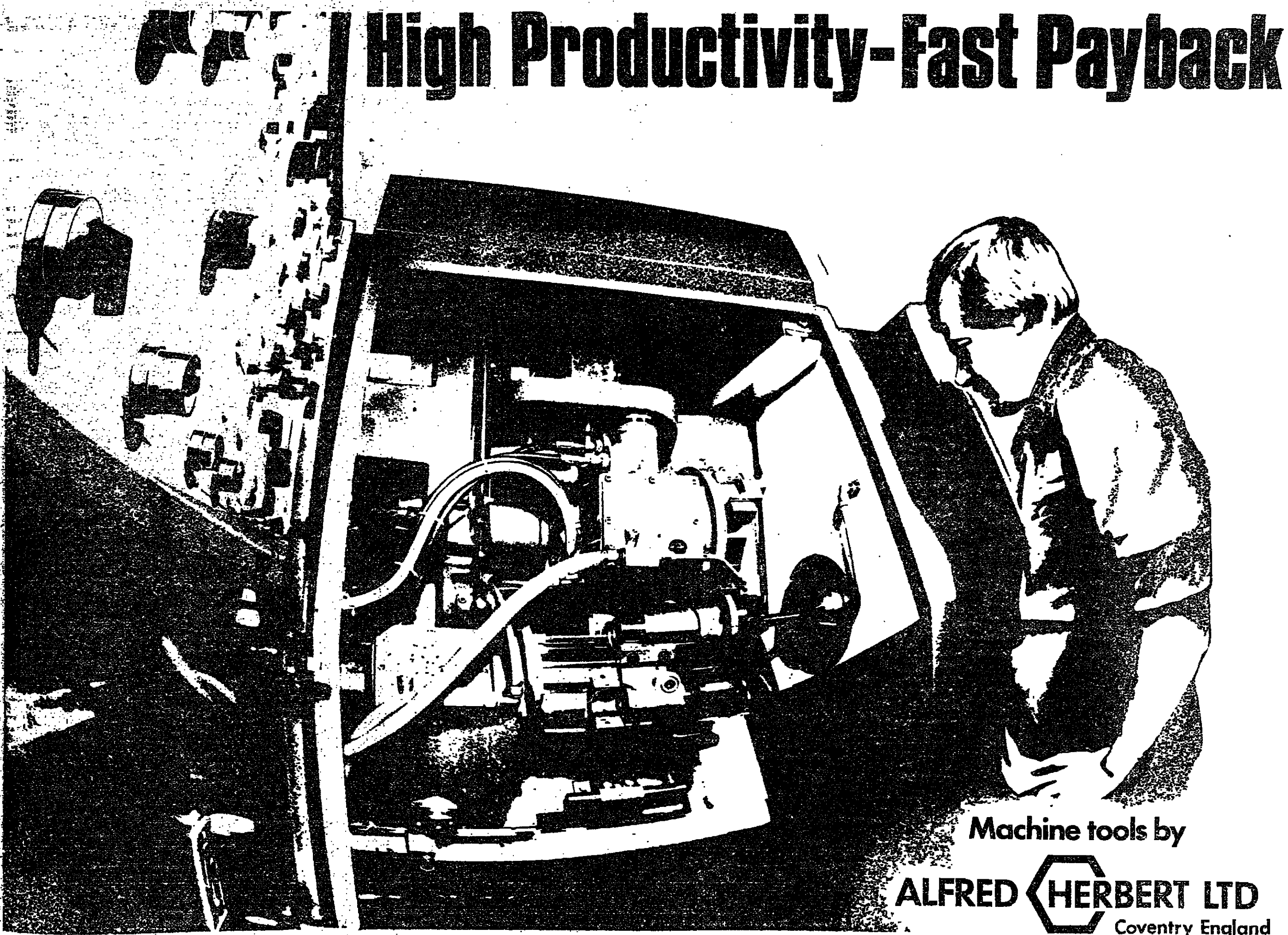
have met with limited success largely because only a few products lend themselves to this treatment. The industry's largest single customer remains the motor industry, and much of its future will depend on the fate of that industry.

In many respects, however, the machine tool industry is in better shape than it has been for some time. Having slumped down in the early seventies—something which many European manufacturers are only now just doing—and embarked on a fairly substantial investment programme, it is probably stronger than it has been for a decade.

Yet it would be rash to assume that the industry as now constituted forms a solid base for continued viability. The rising trend in imports cannot be dismissed solely as the result of inevitable international specialisation.

Too often it seems that the areas where Britain's machine tool industry is most competitive are those where world markets offer least growth.

At a time when the newer industrialised countries are looking for export markets, and targets on imports, exports and productivity confidently set a year ago have had to be modified, the industry must keep its performance continuously under review.



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## MACHINE TOOLS II

# European companies still waiting for better days

WESTERN EUROPE contains five out of the top ten machine tool producing countries, with West Germany at the head of the list. In 1977 its machine tool production was worth the equivalent of U.S.\$2,829m, which put it ahead even of the U.S. with its output of \$2,350m.

The European manufacturers have therefore suffered severely from the failure of industrialised countries' economies to make any significant progress in recent years. After all, they make the machines which nearly every other industry requires. But industrial investment is still at a pretty low ebb in all the developed countries.

### Stagnation

And it is a long time since the European machine tool industry had its last boom. That was in 1970. And it was followed by a long period of stagnation until 1974—triggered by the oil crisis—practically every market in the world showed a drop in demand. The climb back since then has been slow and painful.

To some extent the UK machine tool industry has weathered the storm and survived the recession in better shape than its European competitors.

The European Committee for Cooperation of the Machine Tool Industries (CECIMO), which takes in 13 countries, completed a survey earlier this year which showed that between 1973 and the end of 1977 employment in the European machine tool industry fell by 4 per cent to around 50,000.

In comparison, the West German machine tool manufacturers cut their workforces by 13 per cent to roughly 87,000 while in France the cutback was one of 20 per cent to 21,500. However, it must be remembered that the big drop in employment in the UK at the end of the 1970s came with the 1971 recession when other countries were less badly affected.

The problem with the current recession as far as West Germany is concerned is that it has come on so long and been exacerbated by the high value of the Deutsche Mark compared with other currencies. West Germany is by far the largest

exporter of machine tools in value terms—exports were worth \$945m last year against the \$650m exported from the United States—and it relies heavily on high technology to sell its products. But price does matter, even if it is not exactly at the top of the customer's list of priorities.

In the past the West German accounting practice which allows manufacturing companies to build up a decent layer of financial fat to see them through the lean periods of the demand cycle has helped the machine tool makers survive previous recessions without too many problems.

Couple this with the immense flexibility of the German industry, made up as it is in the main of medium-sized family companies able to make swift decisions and act on them immediately, and it is not difficult to understand why some of its European neighbours have seen West Germany as the major threat to their home-grown manufacturers.

About 400 companies make up the West German industry with perhaps 15 of them large by machine tool business standards—that is employing over 1,000 people.

The recession has forced some of these traditionally independent organisations to seek shelter in the arms of a friendly bank or a merger with another German group. And some well-known names, such as Ludwigsburger of Stuttgart, have simply gone out of business.

Like the Germans, the Swiss machine tool makers cannot expect any overt Government help and suffer from an overvalued currency. Experience among the manufacturers has been patchy but the average order backlog—a useful indicator of activity—which stood at 5.8 months at the end of 1976 increased to 6.5 months at the end of 1977. This enabled capacity utilisation to move up to between 80 and 90 per cent.

Most companies have not been expecting any major change in their situation during 1978. Compared with this the French are in deeper trouble. Last year the machine tool makers in that country were

### ESTIMATED WORLD MACHINE TOOL PRODUCTION AND TRADE FOR 1977

(Top 12—values in US\$m)

Country	Production			Trade	
	Total	Cutting	Forming	Export	Import
1 Germany (FRG)	2,819.7	1,676.7	943.0	1,911.5	289.2
2 U.S.	2,350.0	1,700.0	650.0	446.9	400.3
3 Soviet Union*	2,300.0	1,775.0	525.0	265.0	500.0
4 Japan	1,564.9	1,192.3	372.6	566.1	89.4
5 Italy	850.3	634.9	215.1	408.1	181.4
6 Germany (GDR)*	703.6	565.5	138.1	535.0	205.0
7 UK	707.4	526.1	175.3	324.4	245.5
8 France	580.2	407.2	173.0	248.4	285.0
9 Switzerland	559.3	475.4	83.9	474.9	72.3
10 Poland*	555.5	493.5	60.0	132.0	516.0
11 China*	435.0	263.0	90.0	110.0	550.0
12 Czechoslovakia*	308.1	248.8	39.3	197.1	114.9
World Total	15,045.8	11,047.4	3,998.4	6,321.7	4,512.2

Notes: \* Controlled currency at official conversion rate, real equivalent hard to determine. \* Rough estimate from fragmentary data. Source: American Machinist, February, 1978.

working at an average of 71 per cent of capacity and losses were widespread among the 350 or so concerns which make up the industry.

The French Government, like that of the UK, has no compunction about giving a helping hand to its machine tool makers in times of distress. After all, the machine tool industry is considered a key sector in any manufacturing country.

The latest move by the French Government to shore up its industry came in the autumn this year with an injection of cash equivalent to \$17.2m for Ratier-Forrest, a beleaguered concern which had been struggling for months with redundancies and factory occupations. The bulk of the cash is for Ratier-Forrest's machine tool operations and some for its aerospace-linked activities.

At the same time pressure was applied again to Renault to consider some sort of link between its machine tool business—France's highest and also a loss-maker—and that of Ratier-Forrest. But Renault, although State-controlled, has been showing extreme reluctance to get more deeply involved in the machine tool sector.

With an output last year equivalent to around \$80m, Renault's machine tool division is a comparative giant in the

industry. But it lagged behind that of another European car maker, Fiat of Italy, which has a machine tool and production systems division with a 1977 turnover of about \$180m. (Compare this with the \$103m of sales by the machine tool division of Britain's biggest business in the sector, the 600 Group.)

There is no doubt that Fiat was subjected to some government prodding to form a major grouping from some of the 450 smallish companies which make up Italy's industry. Today most of the manufacturers were Comau Industriale, as Fiat calls its machine tool division, takes in its own in-house operations and those of acquired companies such as MST, Colubri, Lamsal, IMP and Morando and the specialist activities of the Bertoloni, IMPES and UTS companies.

And five years ago another major machine tool group was formed in Italy with government help. The troubled Sane- stachio company was merged with Innocenti, one of the

profitable parts of the State-owned IRI-Essider group. About one-third of Innocenti's turnover is accounted for by machine tools and presses and output of these operations is probably in the region of \$60m a year.

At the most recent gathering of CECIMO in October the general mood was not too black. Although it seems unlikely that the spring estimate for machine tool orders for European countries would advance by around 7 per cent this year, it will be fully achieved, says the manufacturers' group. Surviving by virtue of a pick-up in domestic demand.

All of them complained that exporting was getting tougher, however, except perhaps to the UK in Europe and in particular to the U.S. where the equipment programmes of the motor and aerospace industries have seen machine tool demand soaring to unprecedented heights.

Kenneth Gooding

## Upward surge in UK exports

BRITISH TRADE in machine tools in the first six months of this year has increased substantially, but the familiar problems associated with a simultaneous, if limited, upturn in demand both at home and abroad have already begun to appear.

The UK machine tool industry, like other sectors, has been urged on the one hand to implement policies which will speed up import substitution, but on the other is obviously anxious to avoid losing its foothold in hard-earned export markets.

Some companies therefore face an unenviable dilemma when customers at home and abroad are seeking their products. Few companies, however, would wish to forego the opportunity to supply the booming U.S. market which in the first six months of this year took machine tools worth \$17.5m from Britain.

### Retooling

This demand is expected to increase substantially due to the massive retooling taking place in the American motor industry as car companies prepare to meet the deadlines for less fuel hungry models. Considerable buying for this purpose has already taken place but much more is to come and the U.S. machine tool industry will be unable to meet all the requirements.

Rapidly growing orders by the world's airlines for the new generation of quieter, fuel efficient aircraft is also likely to have a substantial impact on the world machine tool market, again particularly in the United States where Boeing's new series of airliners is now due to move into the production stage. The promising future of Airbus is also designed to encourage new product development. It offered grants towards the cost of producing a new machine tool from design stage to marketing.

The scheme is also aimed at stemming the increasing number of gaps which have been appearing in the range of machine tools offered by British manufacturers, which have almost certainly led to a growth in imports and effectively prevented import substitution.

This form of Government aid, which has now been almost fully allocated, is generally regarded as being helpful to the industry, but it is clear that more drastic measures will be needed to meet the tough objectives for 1980-82 which have been proposed by the National Economic Development Office's machine tools EDC. These are to export 60 per cent of production, which on the basis of deliveries last year, the worth nearly \$400m would mean an increase of around \$55m in the value of exports.

While all the indications are that world demand will continue on its upward path, economic forecasts for Britain are enough to persuade machine tool companies that their future is perhaps more secure abroad, but two other basic factors continue to make import substitution difficult. First, the speed of economic change often means that companies cannot supply machines in time, nor can they always provide the type required.

However, the industry has maintained a consistent surplus of exports over imports in recent years, varying from \$7.7m in 1974 to \$49m in 1975. In the 10 years up to 1977 it accumulated a total surplus of \$300m.

In the first six months of this year exports of new and used machine tools amounted to \$108m (compared with \$185m for the whole of last year), while imports were valued at \$92.2m (compared with \$144m for 1977). While the total trade figure for this year is therefore likely to be well up on 1977, on present form there is no likelihood of great improvement in the trade balance.

And, as in other British industries, there is increasing concern that machine tool manufacturers are too reliant upon standard technology machines in export markets and will face tough competition from the advanced developing countries while having to rely on imports of high technology equipment. The value of exports per tonne last year averaged \$3,500, while imported machine tools averaged \$4,100 a tonne, graphically illustrating the point.

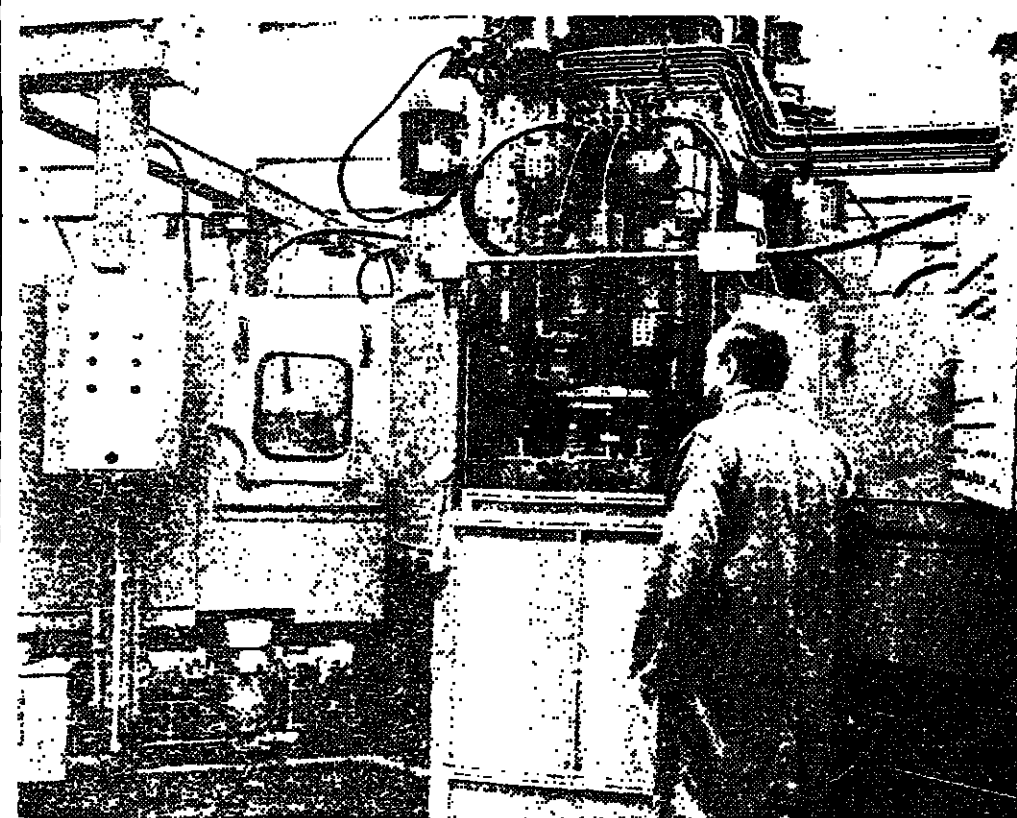
The \$30m government aid scheme to the industry is directed in some measure at overcoming this problem. It is designed to encourage new product development. It offered grants towards the cost of producing a new machine tool from design stage to marketing.

The relatively rich British export share for Poland, reflected in the volume of buying for the Ursus tractor plant near Warsaw, which has been revitalised with the help of British investment companies, are estimated to have benefited to the tune of \$100m in orders in connection with the project.

About 60 per cent of the plant's very considerable machine tool requirements were met by objectives for 1980-82 which have been proposed by the National Economic Development Office's machine tools EDC. With the home market still patchy and prospects for the early part of next year no more than reasonably good, the machine tool industry's recently introduced changes in its export promotion policy will have to be used to the full if substantial increases in exports are to be achieved.

The second objective is to maintain the industry's present share of the British market, not as modern in design as last year which last year was 46 per cent compared with 50 per cent in 1976 and 47 per cent in the previous year. Thirdly, the EDC compares strength of sterling raised to the average for UK manufacturing. In a recent speech Mr. Philip Vaughan, president of the Machine Tool Trade Association, took an optimistic view of the

Lorne Barling



This rotary transfer machine mills, drills, taps and bores hydraulic pump bodies at the rate of 39 bodies an hour. The machine is one of 14 in a complete production line supplied by Thomas Ryder and Son, Bolton, to the URSUS tractor factory in Poland.

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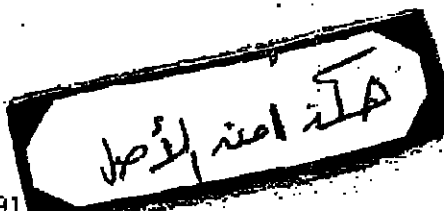
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# Few structural changes

A YEAR of mixed fortunes for Britain's machine tool industry has resulted in relatively little outward change in the industry's structure.

But within the industry some companies have found that the improvement in demand has enabled them to capitalise on their strengths, while others have experienced difficulties in getting sufficient orders.

The industry is notable for the large number of smaller companies, or divisions of larger companies, which nevertheless maintain much of their individuality.

After the major rationalisation efforts to the late 'sixties and early 'seventies, there have been few mergers of note even in the long recession to which the industry had to adjust.

## Recession

One recent exception to this picture was the acquisition by B. Elliott, of the Newall Group, in July, 1977—a move which was prompted by financial pressures on Newall arising from the long recession.

A more "accidental" merger as far as the UK is concerned was the one between the two big American machine tool manufacturers, Giddings and Lewis, and Mott and Merryweather. This has created a unit from their two British subsidiaries which has a turnover in the range of £4m annually.

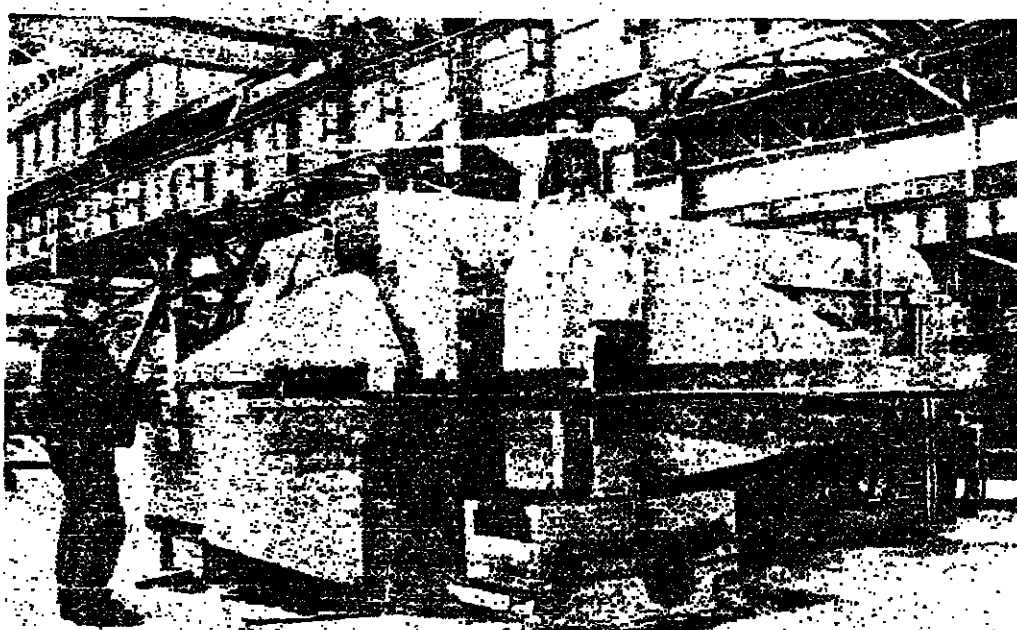
The most publicised victim of the still patchy recovery in capital goods is Alfred Herbert. Under the guidance of the National Enterprise Board, and as a result of some slimming-up, it had seemed that this one-ailing company was being successfully nursed back to recovery.

Then it was revealed, earlier this year, that the group's slow climb back to profitability had been reversed sharply, and a loss of £2.2m before tax was announced for the first six months of 1978 following a profit of £436,000 in the first half of 1977. Herbert's management said that the problem lies with the Edgwick plant, where substantial redundancies are due to take place.

Of more short-term significance was the fact that Herbert had decided to stockpile machine tools during the recession in anticipation of a sharp return. The pattern of recovery turned out to be much less rapid than had been expected, and much of the stockpile had remained unsold.

Herbert's continuing failure to respond to all the various forms of treatment prescribed by it has had an effect on the rest of the industry, particularly in export markets where the name of Alfred Herbert was once synonymous with the industry as a whole. It is an effect which is lessening now, but the industry as a whole will be thankful to see Herbert restored to the position of a healthier competitor.

Some other companies have encountered problems over the past year, although not to the same extent as Herbert. The machine division at Tube Investments includes Matrix and Charles Churchill among its best-known subsidiaries. While TI Churchill has been buoyant results, Matrix's Coventry plant had to close off earlier this year. American-owned, being part of the Textron conglomerate. The



A Hugh Smith 700-tonne frame bender seen here at the Hyundai shipyard in South Korea

lately tough competition in grinding machines. There have also been management changes which are expected to lead to some re-organisation of the production base at Coventry.

## Demand

John Brown's machine tool division is one of the biggest in the country. It consists of the Wickman company plus its subsidiaries. Despite the recovery in machine tool demand, profits of the division reported in John Brown's latest published accounts fell from £2.6m to £2.3m.

Part of the problem is that Wickman's main product is multi-spindle automatics, used for high volume production, for which demand has not yet picked up. The division is in the middle of a sizeable investment programme but at the moment it is lagging well behind the return being made by other divisions in this big engineering group, and some re-organisation is in progress.

American-owned companies are responsible for between 30 and 40 per cent of Britain's machine tool production. The biggest such company is Cincinnati Milacron, which has been operating in this country since 1934.

Cincinnati produces about a quarter of the UK's output of numerically-controlled machine tools, and about a third of these are exported. The company is one of many which has experienced only a slight improvement in demand over the past year, and has found price competition from European manufacturers particularly tough.

Other smaller British companies with American parents include the Merseyside-based Cross International, Giddings and Lewis-Fraser, which recently reported slightly reduced profits of £180,000 for the first half of 1978, and Cone Blanchard, which is owned by Mott and Merryweather.

These latter two companies are now under the same ownership as a result of their American parents merging, but this is not expected to result in significant changes here.

Adcock-Shipley is also now American-owned, being part of the Textron conglomerate. The

group has ambitious expansion plans for its subsidiary, and a big investment programme, partly financed under the Government's aid scheme, is planned.

Kearney and Trecker Marwin, a company engaged in the high technology end of machine tools, has had a chequered history, but looks as though it is now beginning to come right.

KTM was a merger of two high technology companies, but its enthusiasts overlooked the fact that this type of activity needs substantial financial backing and the group was quickly in trouble. It was rescued by the Government, which was anxious to keep a presence in this area, and in 1976 became a subsidiary of the Vickers engineering group.

KTM's last reported profit was a record at just over £1m for 1977, and hopes are high that it will maintain this turnaround. At the other end of the scale as regards the type of product (but very much in the forefront as regards success), is A. A. Jones and Shipman. Its latest reported profit was £1.1m for the first half of 1978, a 35 per cent increase on the same period of 1977. This Leicester-based company's success lies with its universal grinding machine, which it sells worldwide, and for which demand is now buoyant.

Staveley Industries' machine tool division, which includes Asquith, Drummond, Kearns, Richard and Staveley Lapointe, has been proving that mergers can be successful in the long term. Its performance over the past couple of years has improved considerably after the earlier problems it had encountered.

The 600 Group claims to be Britain's largest machine tool manufacturer, and has been very successful, with its standard tool ranges like that produced by Colchester Lathe. Like Jones and Shipman, this is the sort of success story which belies all the studies that Britain should move up-market in machine tools.

The 600 Group division as a whole, which includes several subsidiary companies, reported profits well ahead at £8.9m for the year ended March 31, and is now one of the most buoyant

in the industry. It is also in the midst of a substantial investment programme.

B. Elliott is another successful group, although it has had its troubled times in the past. Over the last year, it has absorbed the Newall Group (acquired in July, 1977) into its machine tool manufacturing division.

The acquisition has strengthened the expertise in more sophisticated machine tools which B. Elliott has in its Butler subsidiary. An important contributor to the group's current profitability (£5.6m on a turnover of £74.3m) comes from merchandising, which comprises Gate, Elgar and P.M.T.

The merchandising activities of some of Britain's machine tool manufacturers, which can be good for company profits but are less so for employment and the balance of payments, have come under criticism from the trade unions in the past year, particularly in areas where there have been some redundancies.

## Imports

But in the industry as a whole, importing is seen as the inevitable result of international specialisation in this industry. Those companies which are active in merchandising, such as B. Elliott, also find that the contribution acts as useful strengthening in the face of the financial needs of the manufacturing side.

The demand cycle has proved quite different from those in the past. Recovery has been patchy, with a few companies doing well, a lot more finding that they are moving along satisfactorily, but with some still having to search hard for orders.

Furthermore, there is no obvious pattern to the recovery, so that some companies making a particular range are healthy enough while others in pretty well the same products have not been able to recover their markets.

The coming year will show whether this shifting in market strengths will be consolidated, and it could be a testing time for those firms that have so far found the going more tough than most.

Hazel Duffy



Rotary transfer machine tool built by Mechanised Assembly of Worcester, which produces record player pick-up arms from aluminium tubing once every four seconds

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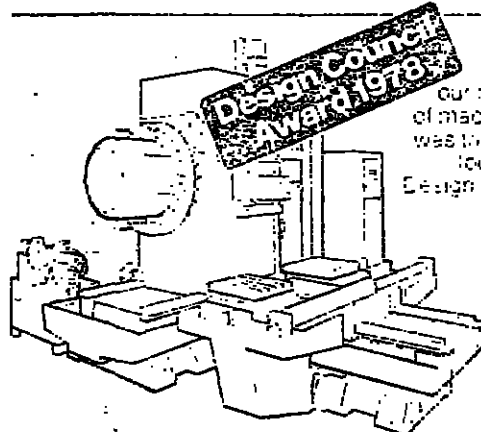
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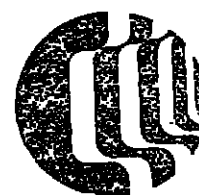
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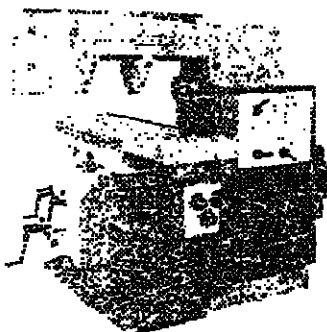
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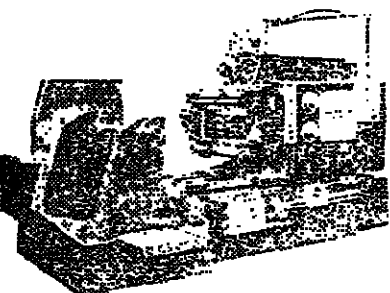
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# Problem of ups and downs in investment cycle

THE TRADITIONAL problem of the machine tool industry is its vulnerability to the ups and downs of the investment cycle.

Seldom has this been clearer than in the latest recession which proved to be more prolonged and certainly much deeper than expected. Even Government efforts to assist the sector through the creation of a stockbuilding scheme had little impact.

A key role in the project was given to the National Enterprise Board which announced in March 1976 that it would be willing to consider applications from individual companies for loans to finance the building of machine tools for stock. The money was offered on "commercial terms" and the Board made clear that applications would be dealt with "on their merits".

In the first nine months, only four companies had concluded agreements, involving the Board in a total commitment of £3.7m. In the final three months before the scheme closed, in April last year, five more companies had come forward, but the loans total still remained at only £5.9m. One concern alone, Alfred Herbert, itself a subsidiary of the NEB, accounted for £5m of the overall allocation.

### Price

Alfred Herbert, which borrowed around a further £2m from the private sector, is still paying the price for its decision to carry on building for stock. Plans for a £20 cut in the labour force and a major reduction in capacity are going ahead.

Announcing the need for such a move, management pointed out that it had continued to manufacture for stock throughout last year in order to maintain employment and in preparation for an upturn in the market which had not materialised.

The present rationalisation is only the latest in a series which have seen employment at Herberts (once one of the world leaders in its sector) decline from around 11,300 at the beginning of the decade to little more than 5,000.

Moves to cut costs and trim capacity had become all too familiar even before the twin problems of high inflation and the three-day week of 1974 pushed the company close to financial collapse in late 1975.

The Government stepped in to create £25m of new equity to cover fixed interest debts and losses. A further £1.25m was provided to buy out the remaining shareholders.

In searching for the man thought to have the expertise to restore the company to viability, the Government turned to Sir John Buckley, who had achieved success at Davy International.

Among the problems identi-

fied by the new chairman was the obvious overcapacity of the undertaking at a time of difficult world markets. Action was initiated to improve the limited and often outdated product range.

To strengthen a management structure regarded as over-centralised and inefficient, Mr. Walter Lees was recruited as chief executive from Tube Investments to push through the necessary reforms.

He has introduced eight different profit centres in order to give management greater control and accountability for performance. Mr. Lees now argues that it is a mistake to talk of "the Alfred Herbert problem". One plant alone, Edgwick, at Coventry, the heart of the empire created by the late Sir Alfred Herbert, is considered to have been the main drain on cash and profits.

According to Mr. Lees, the company will suffer an overall loss this year only because of the problems at Edgwick. He has forecast that all other operations are likely to produce a profit, after interest, of around £1.25m in the year to the end of December.

Indeed, Mr. Lees argues that the company, without Edgwick, would have realised a profit of more than £2m last year, instead of the £236,000 pre-tax loss.

As part of the decentralisation programme, operations at Alfred Herbert fall within three broad divisions, each with its own managing director. Mr. David Davies, formerly the finance director, has been placed in charge of machine tool activities which last year accounted for around £34m of the £34m Herbert turnover. One of his main tasks will be to act as the link between manufacturing and marketing to prevent output running too far ahead of sales, as in the past.

Changes have already been made on the marketing side but before the end of the year it is intended to further decentralise sales functions.

Sales and marketing are scheduled to move with other head office staff to a new office block and showroom at Draywood House, Coventry. The aim is not only to give a fresh image to the company but also to get an earlier and stronger involvement by individual plants in the general sales effort.

The main debate within the machine tool division over the past 12 months has centred upon how best to cut capacity in the wake of depressed world markets. Edgwick, because of its size and consequent heavy overheads, was an obvious candidate for any retrenchment programme.

Around 300 workers left the plant under a voluntary redundancy programme at the beginning of this year and

some 520 jobs are scheduled to be lost under the present cutback.

Union leaders fear that the plant, once reduced to the planned labour force of only 800, could be on the path to total closure. Edgwick, which manufactures different types of turning machine for small batch production, has suffered in particular from the attack by low-cost countries (such as Poland, Taiwan and Korea) upon the market for common-place capstan and turret lathes.

Management would take the line that Edgwick must seek its future not in the more common machinery but by introducing a new range of computer controlled lathes. Such machines are already being tested and should go into full production by next year.

The short term future is assured of the next biggest plant, Mackadown Lane, Birmingham, where around 750 are employed manufacturing single and multi-spindle automatic

and other turning machines. A seeking would be Lutterworth, this factory, with around 400 workers, produces drilling, boring and milling machines, and does so profitably.

A three-year plan to completely reorganise production departments is expected to be completed next year. Investment has been made in new plant and the company maintains that productivity will be doubled with out any increase in the floor area.

In addition to its machine tool operation, Alfred Herbert has two other divisions—tooling and controls and instruments—which are not only profitable but are also thought to offer prospects for growth.

Herbert Tooling, which manufactures and distributes products such as dies and micro-bore equipment, employs around 1,240 people. The sales and distribution operations moved only a few weeks ago from Edgwick to a new warehouse and office complex at Exhall, Coventry.

The plant to which management would draw attention to illustrate the progress they are

making would be Lutterworth, this factory, with around 400 workers, produces drilling, boring and milling machines, and does so profitably.

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The new facilities should

increase distribution capacity by 50 per cent, while a sophisticated data handling and processing system will enable depots in various parts of the country to get information about latest prices, stock and delivery.

Within the controls and instruments group are Herbert Sigma, based at Letchworth, which produces measuring and inspection equipment, and Herbert Numerical Controls, a "working company" specialising in the supply of control systems for the machine tool sector.

It is by moving into more sophisticated machinery and services that Alfred Herbert sees its future. The hope is that the redundancies and rationalisation now under way in the machine tool division will be sufficient to make the company not merely viable but profitable.

The next 12 months are likely to be crucial in determining whether Alfred Herbert, after a prolonged period of decline, has at last reached a turning point.

Arthur Smith

## Sudden boom in equipment leasing

EQUIPMENT LEASING has suddenly boomed in Britain. According to figures issued recently, member companies of the Equipment Leasing Association, representing 75 per cent of the UK business, bought £67.5m worth of assets for lease last year. This was £254m up on 1976 and the figure has grown steadily from £120m six years ago.

Last year's figure included £185m worth of industrial plant and machinery. But the machine tool industry did not figure largely in the success story, in spite of many leasing schemes operated by the leading finance houses.

### Finance

A member of a finance house which has arrangements with several manufacturers, suggested: "Perhaps the reason is that machine tool users can usually find the finance for new capital equipment in the more conventional way."

John Statham, export director of Dean, Smith and Grace, based at Keighley, West Yorkshire, expressed another opinion. His company recently planned to enter into a leasing scheme for its famous lathes, but decided not to go ahead.

"We decided that, with the value of machinery today—in our case anything from £75,000 to £200,000—who would want to lease?" We are going to operate ad hoc—if anybody comes along and wants some form of financing, we'll put them in touch with somebody."

Mr. Statham admitted that his company's original interest in a leasing scheme was triggered by a recent rush of inquiries for machines. An indication that the industry may, at last, be picking up. If the business too much," he

said. "After all, particulars of a lease are already included in the notes to the accounts and any sensible lender will take that into consideration when the company is seeking finance."

Mr. Jim Ellis is UK sales manager for Warner and Swazey, who make turning machines at Halifax, West Yorkshire. The company is a subsidiary of Warner Swazey of Cleveland, and has recently decided it is in a financial position to operate its own leasing scheme without the help of a finance company.

He gave another angle on the leasing business. "We let it be known in May that we were interested in leasing machinery and although not a single contract has been signed, several sales have been made to customers who originally called to see us about leasing."

### Advantages

Mr. Ellis sees advantages for his company in being able to sell the machines at the end of the lease. "Our machines are high quality and have a very high resale value," he said, "and this was now a very important part of the Government's thinking on investment by industry."

Another 30 per cent growth in leasing this year is indicated, although figures are not yet available. When the economy starts to recover and investment takes wing again, maybe the machine tool industry will finally get into the act.

As Jim Ellis of Warner and Swazey says: "My job is to sell machine tools by any system the customer wants." It seems likely that more manufacturers will be thinking the same way before long.

Alan Forrest

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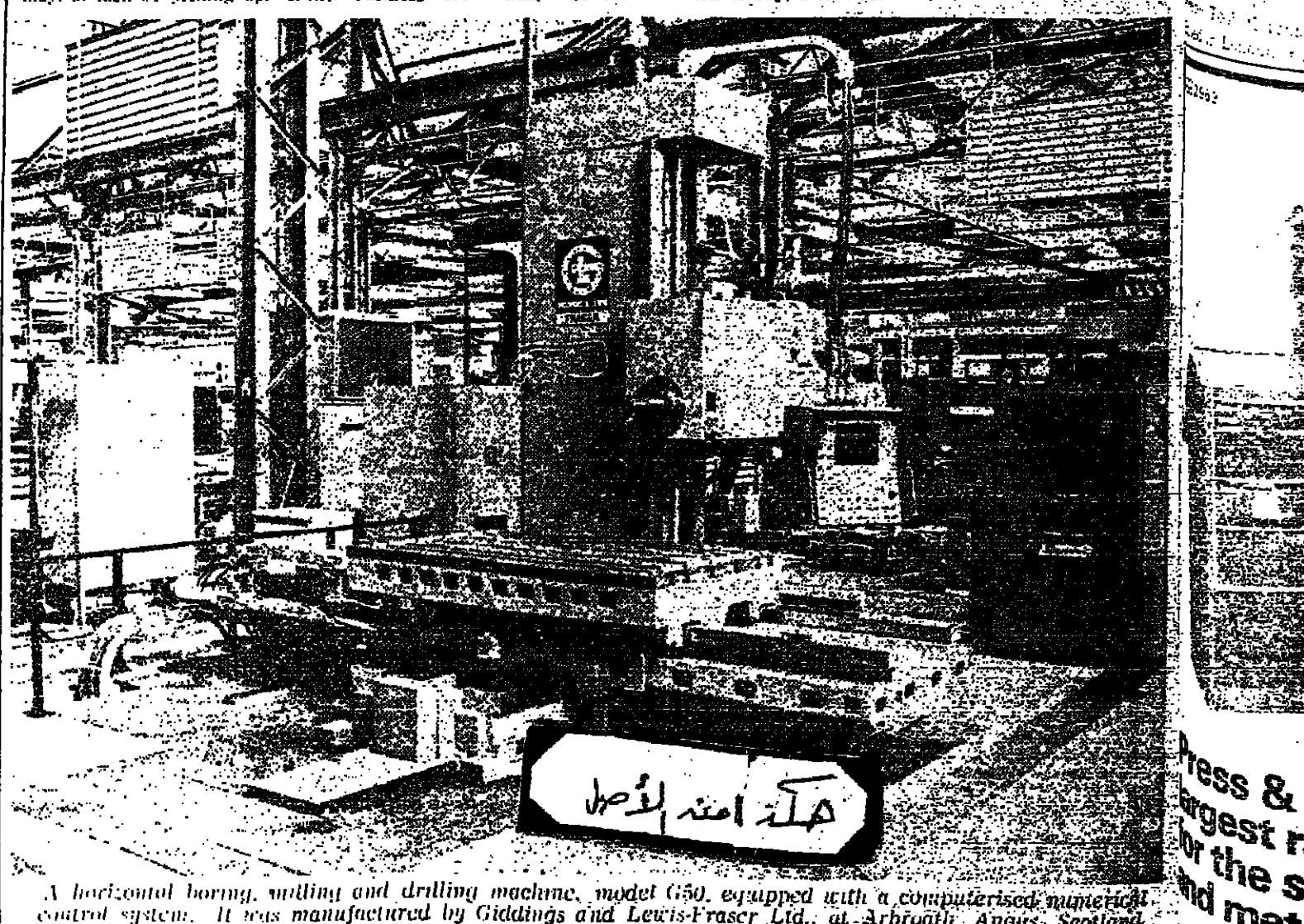
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## MACHINE TOOLS V

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## Motor industry is main user

THE AUTOMOTIVE industry is probably the largest user of machine tools. Major investment programmes by the car and truck assemblers affect the machine tool makers in two ways—first the assemblers themselves need new equipment and, second, their component suppliers often have to go out and buy new machine tools too.

In the UK attention is focussed mainly on BL, formerly British Leyland, because as a State-owned concern it is more likely than any of its rivals to buy British machine tools whenever possible. BL Cars alone bought £40m worth of machine tools last year and has indicated that it will spend about £50m a year for 1978 and the following three years.

Not all of this business will go to UK companies, however. But BL has indicated that something over 80 per cent by value of its machine tool purchases will be from UK concerns. If this sort of level is achieved the BL programme will provide a very useful boost for the UK industry—given that total production of machine tools in Britain will be about £400m this year.

## Orders

However, that still leaves room for some very big orders to be placed with companies overseas. For example, there was some consternation in the UK industry late last year when in quick succession BL Cars placed a £7m order for KUKA welding machines and one worth £4.5m for an automatic line from Heller—both West German companies. Later two further contracts for welding machines took the total to £14.5m for Germany.

BL maintained that it had to buy overseas because the technology was not available in Britain.

While not disputing the point, the UK manufacturers, through the Machine Tool Trades Association, have argued consistently that if only the industry was given good warning about the requirements of BL—and the other UK-based

car makers—it might well be able to come up with the equipment that at present has to be imported.

The lack of consultation between BL and the industry has been a constant problem for some years. The group certainly placed the £40m of orders it forecast it would place in 1977 but there was a last-minute rush during the final quarter. The indications are that BL will hit its £50m target for machine tools in 1978 too.

But the machine tool makers are naturally very concerned every time Mr. Michael Edwardes, BL's chairman, says he is cutting back on investment.

While they appreciate that it is only right that BL should not spend cash unless it will produce a reasonable return, they wish the investment programme could run on a smoother course rather than the bumpy one of today.

For example, the £250m Land-Rover Range Rover plant expansion project has been brought nearly to a halt while negotiations continue about double-shifting the assembly line after it goes on stream. The machine tool manufacturers believe Mr. Edwardes when he says it will not get going again until he has union agreement on more flexible working practices.

They have the example of the Bathurst truck plant still clear in their memories. There £32m of the investment programme was cancelled after a prolonged strike. Please by employees, for it to be reinstated fell on deaf ears.

Mr. Edwardes said recently that he was now more optimistic about BL's prospects than at any time during his first year as chairman. The machine tool industry hopes his optimism is well-founded and shudders at the thought of any further gradual running-down of the group's volume car business, Austin-Morris.

BL is given much attention but there are other companies assembling cars and trucks in Britain which need to invest regularly and heavily.

Ford, for example, has indicated it will be spending over £10m in Britain before 1982. That ought to be very good news for the UK machine tool industry. But even more, one BL Ford has turned to overseas suppliers.

The £230m Bridgend engine plant currently being constructed provides a good case in point. Within a few months of the deal with the UK government being announced—involving an estimated £150m of grants and other assistance—Ford has ordered £8m of equipment from West German companies and £18m worth from American concerns.

## Potential

Ingersoll received a £7.5m order for the main cylinder block line Joseph Lamb one worth £9.5m for the cylinder head line, Ex-Cell-O got a £3m order for transfer lines and Lasalle a £1.2m contract.

Ford explained: "If we could get the machinery we need in Britain we would buy it here." And it promised that as time went on the value of UK equipment to be purchased for the plant would overtake that of the imported machinery.

It is not very clear, however, just how carefully Ford studied the potential UK suppliers. There is certainly a tendency in the motor industry—as in the oil sector—for engineers to specify equipment from companies whose products and performances they already know and can rely upon.

Yet companies like Wickman, Thos. Ryder, Sluvelley, Kearney and Trecker Marwin and Vaughan Associates and the UK subsidiaries of American groups Ex-Cell-O, Cross International and Cincinnati Milacron have a good reputation among the motor manufacturers and can be expected to get their fair share of the business available.

While Ford's Bridgend plant for a while became something of a cause célèbre in the British machine tool industry it is by no means an exception. Last year Ford completely refo-

bished its Dagenham toolroom at a cost of £4.4m. The major orders for new machinery went to West German concerns—Hochgestadt supplied £1m worth of copy mills and planers supplied by Waldrich Coburg and Droop and Riën.

Even so, the British machine tool industry would hate to see Ford gradually switch more and more of its resources away from the UK to elsewhere in Europe. They hope that the long strike at Ford UK will not encourage the group to move along these lines.

The industry also has mixed feelings about the change in the ownership of Chrysler UK.

Although the UK Government has won from Peugeot-Citroen undertakings about continuation of the investment programme in the UK and an assurance that

Britain will not be left out of any future expansion plans for Chrysler in Europe, there remains a nagging doubt about the medium-term prospects.

It is also assumed that the French machine tool industry will be given priority treatment by Peugeot in future investment projects—not simply because of chauvinism but because it is the French industry with which it has in the past had the closest contacts.

Meanwhile, the UK machine tool industry along with the rest of the European manufacturers, are benefiting from the huge investment programmes by the motor and aerospace industries in the U.S.

In spite of the fact that liaison between the American machine tool manufacturers and the car companies is excellent and the equipment makers know well in

advance what is required, capacity is being stretched. So the motor assemblers are having to look outside the States for some machines.

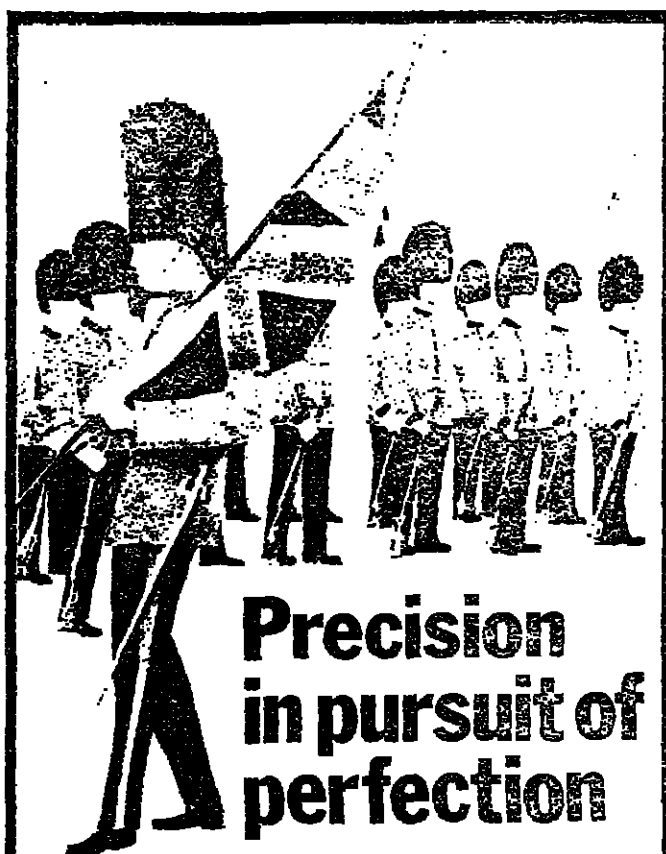
It is estimated in the U.S. that to achieve a use mile per gallon improvement in petrol consumption will between them have to spend \$3.6bn. And the Federal Government is insisting on an eight mile per gallon improvement over the next five years. The investment involves many machine tools.

Consequently the annual major U.S. machine tool exhibition in Chicago recently was a really rewarding one for some of the British exhibitors. "There were some very serious inquiries and a lot of business being done," was the way one observer summed it up.

Kenneth Gooding

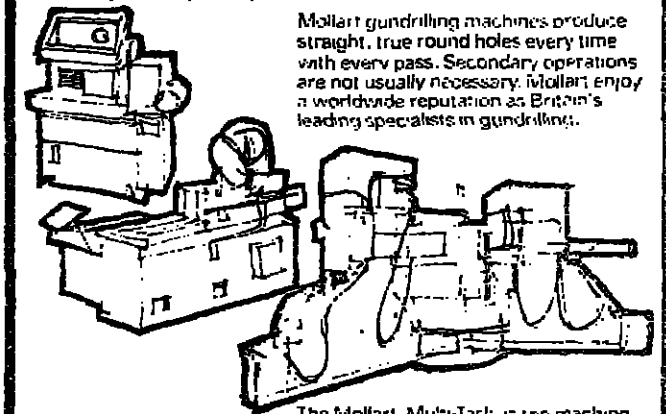


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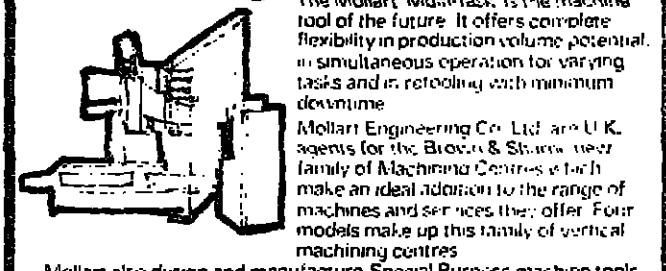


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## £100m second-hand market

FACTORY CLOSURES and re-equipment plans in expanding companies provide the main sources of second-hand machine tools.

The market is an important one for sales merchants and for the entrepreneurs venturing into small-scale manufacturing for the first time. The total British market for new and used machine tool sales is estimated to be worth approximately £350m a year. New machines account for the bulk, at least 70 per cent of the total, leaving over £100m of sales each year for the growing band of merchants dealing mainly in second-hand machine tools.

The importance of Britain as a base for transactions in the second-hand machine tool market is underlined by the expansion of the main European organisation for the second-hand machine tool trade, the Association of European Machine Tool Merchants.

Based in London it has grown

from 100 members 30 years ago to 235 members now.

New applications for membership come in almost daily, with recent additions from Sweden, Italy and West Germany.

In Britain, the £100m market for second hand machine tools represents marginally over half of the annual turnover of the so-called "second hand" dealers. Many of the British members of the association also deal in new machine tools with sales accounting for up to 45 per cent of turnover.

This dual role of the merchants underlines the uncertainties of the second hand market. Sales in this sector fluctuate at least as rapidly as sales in the market for new machine tools. But when the engineering sector is expanding the second hand market is one of the first to respond.

One guide to activity in the second hand tool market is to be found in the classified advertisement columns of the trade and national press. The mer-

chant's association said that the 1975 to 1978 period was a recent low in demand for new and used machine tools. During the period, "for sale" notices and advertisements for machine tools wanted by industrialists were almost exactly in balance in one leading machinery journal with approximately 50 items wanted and 50 for sale.

By November last year, total activity in the sector, as measured by published advertisements had almost doubled. The same journal, Machinery Market, recorded a total of 180 machine tools either wanted or for sale.

Well over half of the items listed during the issue of the second week in the month were those wanted by companies either for sale elsewhere or for use in industrial expansion programmes.

But by the same week this year, the total number of machine tools either wanted or

for sale had again almost doubled, with the wanted items outpacing those for sale by a ratio of almost three to one.

The machine tool merchants represented by the AEMTM confirmed that the latest figures were not a flash in the pan, but represented a marked upturn in trading activity, in response to industrial growth.

Every week the classified sections of the trade press are reported to be getting more copious, as engineering activity accelerates.

Much of the business in second hand machine tools starts with the receipt of a photograph of the machine for sale. Contracts are often agreed verbally.

Market activity in Britain in second hand tools has traditionally been higher than in almost any other country but Japan, which still has the greatest number of machine tools of any country. But in Britain, the average age of the machine

tools in use is lower than Japan at between five and nine years compared with approximately 18 years for Japanese based machine tools.

A survey by the technical journal Metalworking Production showed that 39 per cent of the machine tools in Britain were under 10 years old, compared with 37 per cent in West Germany and 35 per cent in the U.S.

These figures may indicate a greater rate of change of machine tools in Britain than in some other countries and may indicate why the second-hand market in Britain is so buoyant.

The Association of European Machine Tool Merchants said the expansion in the number of second-hand merchants in the present total of around 330 in Britain had taken place at the expense of the companies manufacturing new machines.

It would be difficult to verify the claim, but part of the

reason for the expansion is certainly the growth in the export potential for second-hand machines. The U.S. was Britain's biggest importer of second-hand machine tools until a year ago, but a tightening-up of product liability regulations in the U.S. has reduced the attraction of the market to British merchants selling used machine tools.

A raising of insurance premiums by U.S. companies has also had an adverse impact on UK sales of second-hand machines in North America, since SCM.

The largest potential market for the second-hand sector is now seen as the EEC and the third world countries, although the developing nations are becoming less attractive for the UK exporter as national confidence rises and brings with it a call for new machinery.

Lynton McLain

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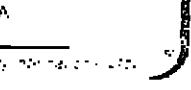
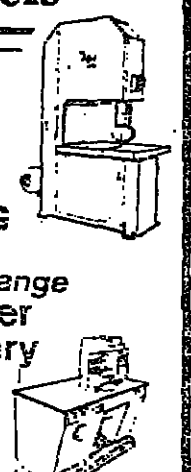
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# Plotting an industrial strategy for the next decade

THE INDUSTRIAL strategy has given a boost to the NEDO role in industrial planning. This is particularly the case for machine tools because it is one of five industries that has been designated as worthy of special attention under the Government's industrial strategy.

The machine tools industry has always merited an Economic Development Committee (EDC) at NEDO—and while some other EDCs have been dissolved to make way for the sector working parties (SWPs) set up under the industrial strategy, the EDC for machine tools has been maintained.

## Discussions

The EDC is made up of representatives from various companies in the industry, trade unions, the Machine Tool Trades Association, Government and NEDO, and meets on a regular basis to discuss the state of the industry, and select areas for investigation. Its chairman is Mr. Anthony Frodsham, director general of the Engineering Employers' Federation.

The EDC also has a Strategy Steering Group, which has a similar composition to the EDC itself, plus representatives from the user industries and one from banking. This group is charged specifically with carrying out the planning and dissemination of information required by the industrial strategy.

Many of the problems associated with the decline of the British manufacturing industry are to be found in this industry, which is why it has particular relevance for the Government's industrial strategy programme.

Much of the EDC's work has been concerned with identifying the reasons for the industry's declining share of both world trade, and its inability to maintain its share of the home market.

Product design has emerged as a major area where there needs to be improvement, and discussions between user industries and the Machine Tool Industry Research Association have been initiated by the EDC with a view to establishing closer liaison between producer and consumer. Other areas where weaknesses have shown up as a result of surveys commissioned by the EDC are servicing, marketing and even delivery.

The initial work of the EDC under the industrial strategy programme was concerned with identifying constraints to optimising production when demand is strong.

By the time this work was completed, however, it was becoming clear that the expected upturn was not going to materialise as quickly as had been forecast.

When the recovery started—roughly in mid-1977—it was much less pronounced than had been anticipated; there is considerable support now for the theory that the peaks and troughs associated with previous cycles are indeed a thing of the past.

In the autumn of 1977, the EDC was working on the next stage of the industrial strategy reports which concerned the medium term programme.

Targets were agreed upon for the industry as a whole: exports were planned to increase to 60 per cent of production by 1984-85 (the highest level in the seventies was 58 per cent in 1975). Imports were to be maintained at least to the present share of the home market, which is about 48 per cent; and productivity to be increased to the average level for UK manufacturing industry as a whole.

One year after the targets were drawn up, it seems they were over-ambitious. On the basis of forecasts for world economic growth, the export

target meant that Britain's share of world trade in machine tools would need to grow from its current level of about 51 per cent to 61 per cent—something which is looking unattainable in the current conditions of world markets.

Similarly, with import penetration, stabilising around the current levels (about 48 per cent of the market) sounded reasonable, but in fact meant reversing the already pronounced trend for the industry's share of the home market to be falling.

## Strength

The planned improvement in productivity has also lagged behind target, partly because demand has not picked up sufficiently in all products. A more deep-rooted barrier to

higher productivity seems to lie in production processes—the need for improvement in an area likely to merit further attention from the EDC.

The strength of the EDCs, and now the wider coverage afforded by the SWPs, is their tripartite composition. In their bringing together of management, trade unions and civil servants, they have a unique contribution to make to industrial planning.

Their potential weakness, however, is the difficulty in transmitting their message to the people who could make a positive contribution—to the shopfloor in particular, but also to management. Seminars have been organised by individual industries, and most of the EDCs and SWPs produced a popular version of their medium-term programme.

It is unlikely that such measures have been wholly successful in the difficult job of translating words into action, and the strategy steering group of the machine tools EDC intends discussing other measures shortly.

The problem with the industrial strategy type of exercise is that it will take some time before its effectiveness is measurable, and this is particularly so when most of the work that has been done within the EDCs and SWPs is of a general nature.

The machine tools EDC has been particularly sensitive on the point of publicising its major reports (apart from the popular version), deciding against widespread distribution because it did not want information to reach the hands of overseas competitors. The union

representatives on the committee would have preferred that the report be widely publicised, as has happened with most of the other reports from the 40 SWPs.

The EDC is now working on the progress report which will be presented to the National Economic Development Council's February meeting. By that time, the new targets on exports, imports and productivity will have been agreed upon.

When that work has been completed, it will look more closely at products and forecast demand patterns.

The market for electronically controlled machine tools is growing worldwide, but at the same time, so is the number of producers. Japan—with its vast experience in electronics—is turning increasingly towards the industry as a whole.

the production of these types of tools, while Germany continues to provide stiff competition.

The more advanced of the developing countries are also moving into production of standard machine tools. One of the key areas to be investigated by the EDC, therefore, is the extent to which Britain ought to be trying to offer a complete range of machine tools.

More detailed work will probably be undertaken on the question of productivity, where the EDC has found itself unable to do much in depressed economic circumstances and inflexible pay policies.

The EDC structure, however, has considerable value in bringing representatives together—often from competing companies—who can take a view on the industry as a whole.

It also provides a valuable link with the draughtsmen of Government economic policy, and this is particularly important with the increasing use of Government funds for promoting industrial investment. The nature of the NEDO also helps to create opportunities for liaison with both suppliers of materials and customer industries—something which is particularly useful for an industry such as machine tools which is very dependent on the needs of finishing industries. The period of more specific study on which the EDC is about to embark in the context of the industrial strategy is intended to provide the information on which the industry can base its course in the 1980s.

Hazel Duffy

## Research centre for world markets

THE FIRST things a visitor sees on entering the Machine Tool Industry Research Association's headquarters at Macclesfield, Cheshire, are two glass cases containing lathes—an ornamental one made in 1748 and another less pretty example of turn-of-the-century Birmingham craftsmanship. But the past stops there.

In the offices and workshops in the galleries above the reception area, a staff of 75 experts, including graduate engineers, physicists, metallurgists and mathematicians—busy with work aimed at coaxing one of Britain's most conservative industries into the 21st century.

Why Macclesfield? The MITRA's sister organisation, the Machine Tool Trades Association, which handles publicity, marketing and promotion for the industry, is based in the heart of London—in Bayswater. And Macclesfield, though still an important textile centre even after the decline of its traditional silk industry, is not exactly the centre of the universe.

Mr. A. E. De Barr, the MITRA's director of research, explains that when the association was set up in the early 1960s, Macclesfield was a "centre of gravity" for the machine tool industry. Around Manchester and Stockport there were big machine tool centres and Manchester University was, and still is, closely associated with the engineering industry. Since then, some companies have moved south, but the establishment is still well-sited to serve the industry's needs.

And with the Derbyshire Peak District and the gentler Cheshire countryside at its doorstep, Macclesfield can attract some of the best brains to settle there.

## Customers

The Association's job is to establish, with major customers, the kind of machine tools Britain should be making available in world markets. It has a membership of about 100, but as these are mainly company memberships and include the giants, such as B&W Group, it spreads its net to a lot more than 100 people. Mr. De Barr believes its membership represents about three quarters of British manufacturers' turnover.

It is funded by members sub-

scriptions (£131,600 last year), Government grants and fees paid by companies for special projects, highly secret and not shown to visitors. The appeal is mainly to makers and designers, but the Association keeps an eye on machine tool users, who are attending its seminars in increasing numbers.

At present, partly because of the industry's well-known conservatism, but largely because of the state of the economy, there is a reluctance to invest in new machinery. Officials feel that something must be done to make machine tool users more adventurous. It is hard in Britain to sell a first machine of its kind—companies prefer to settle for old and proven equipment.

But the work of planning the industry of the future goes on. The Association has built micro-processors for the control of sheet metalworking machines and is heavily involved in many other aspects of new technology, such as computer-aided design and computer-aided manufacturing processes.

A lot of the Association's present work is concerned with safety and noise standards on the shop floor. This is not just a question of improving an industrial environment, at home, but a realisation that Britain must make safer and quieter—and efficient and competitive—machine tools, if it wants to sell them abroad.

## Noise

Mr. De Barr proudly points out that Britain has led the way within CEEC (the European Community) in the battle against noise. "Recently we agreed on a common approach to noise specifications," he said, "and this was very much an MITRA initiative." But work must go on constantly, he added, to settle other such environmental problems on an international basis.

In the Association's last annual report, the importance of this work was emphasised in a reference to its close cooperation with the Health and Safety Executive of the Department of Employment and the Factory Inspectorate. "New legislation on safety and environmental protection has caused these aspects of machine tool design to be of increasing commercial importance and makes a continuing dialogue between the industry and the

executive essential," the report says.

The Health and Safety Executive has also made use of the MITRA's test facilities to obtain data on the impact resistance of various materials.

The report went on later: "Users are interested in advanced technology if they can be convinced of its relevance to their problems. They are, however, more interested in anything that will enable them to make better use of existing technology, and, particularly, they wish to achieve higher utilisation of their machines."

"This may mean the overcoming of problems caused by new environmental and safety requirements. It may mean

increased reliability of components, or it may mean the replacement of complex—and fault-prone—mechanical devices by electronic systems."

A series of practical investigations is being carried out by the Association to provide technical data on which to base the design of safe and economical guarding systems for metal-cutting and metal-forming machine tools.

## Destruction

One test involves running a high-speed grinding wheel at three times the normal fatigue speed. As the wheel is run to destruction point, the whole experiment is encased in what

looks like a miniature army tank with a cine-camera inside to film the results.

Another test for machine guards is enclosed in a compartment of tank-strength and involves what looks like a giant crossbow firing projectiles at a guard. It all looks very strange, but the results, carefully analysed by Macclesfield's boffins could someday "clinch" a big order for some British company in a safety-conscious foreign country.

As well as safety and noise, the Association's men must take labour relations into consideration when planning the new machine tools. It's all very well to produce equipment practicable only for multi-shift

working, but how can a potential buyer be certain that he can get an agreement for multi-shift working? And the increasing development of one-third operated tools seems sensible, but can lead to sticky demand cation disputes. Mr. De Barr is not pessimistic, but feels there is little hope of real progress in the industry until the economy recovers. How can you sell a man a sophisticated machine centre when at the moment, all he wants is a capstan lathe? All the bright ideas surging around the establishment at Macclesfield call for a return to sizeable investment in the machine tool industry.

Alan Forrest

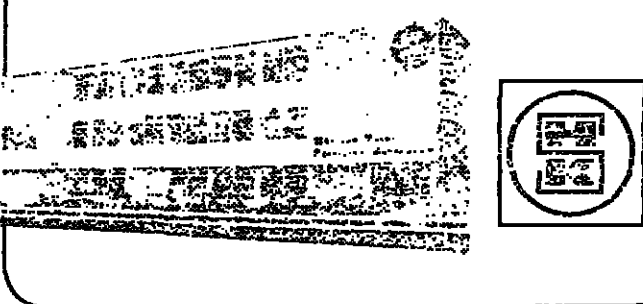
## Successful start for industrial aid scheme

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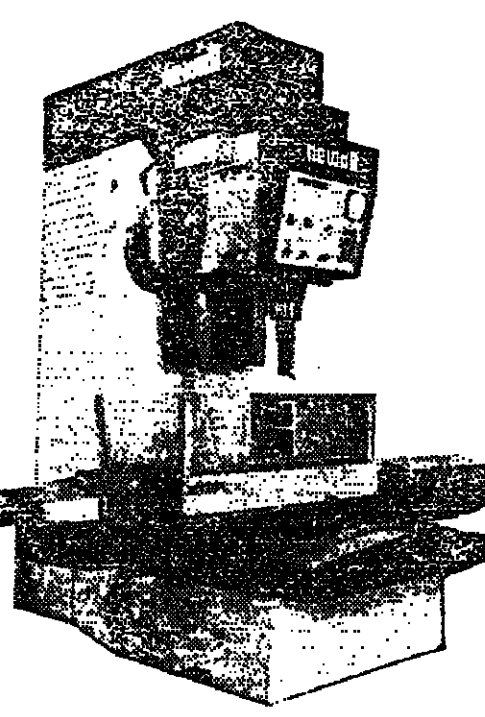


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Below - KG300 production cylindrical grinding machine. First unveiled in 1976 and current sales indicate a tremendous potential in world markets.



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buildings, £16m on plant, and less than £500,000 on consultancy fees for small companies.

The scheme had a slow start when it was first introduced and was greeted with some suspicion in the industry. It was simplified and enlarged in 1976. It was also extended up to the end of 1977 and boosted from an original £200m aid budget to £300m. By the beginning of last year some 149 applications for aid had been made but then the pace quickened until in December, the final month, there were 178 applications. This rapid acceleration of interest towards the end of a scheme's period for applications has also occurred in other industry aid schemes.

Under the scheme, companies receive 25 per cent of their costs towards design development and launching of new products, 20 per cent of the cost of new plant and machinery, 15 per cent of the cost of new buildings, and 50 per cent of small companies' consultants' fees.

Among the large groups to have used the scheme are the Wickham group, part of John Brown, and B. Elliott. Wickham's John Strick subsidiary in Halifax is receiving £167,000 aid towards £884,000 project costs on the design, development and launching of a large computer-controlled machine needed for railway industry components.

The company has said that without the State aid development money offered, another thing to try to prove that provision by the Government of about a fifth of the money needed for a project had induced a company to do something it would not otherwise have done or has significantly speeded up a development that might otherwise have been delayed.

In the case of the machine tool scheme, the Department of Industry's economics and statistics division will be carrying out a detailed assessment in the coming months in the same way as it has just done for the textile industry's aid scheme. Machines of Coventry towards the £98,500 design and development costs of a spindle turning machine suitable for batch production. This followed an earlier grant under the scheme to five years before the scheme started. It has now risen to equipment.

Other industries have bene-

fited from the same sort of aid as that provided by this machine tool scheme. In all, 14 schemes with total aid of £270m have now been started by the present Government under the 1973

Industry Act, and other legislation. How many more schemes will be created depends on which political party wins the next election. The Conservatives would not introduce any new scheme, although party spokesmen also accept that it will be possible for them to tamper with commitments already made under existing schemes. So the machine tool aid offers are still until they have been fulfilled during the next three years.

If a Labour Government returned, it will have to decide whether to introduce more special schemes for individual industries, or to extend its more general selective investment scheme. Alternatively it could try some other method of encouraging industry to modernise itself in order to compete in world markets.

## Offered

The main problem to be faced by civil servants and Ministers in making such a decision is how to discover whether a specific aid scheme has meant that taxpayers' money has been well spent. It is one thing to launch a development that in controlled machine needed for railway industry components. The company has said that without the State aid development money offered, another thing to try to prove that provision by the Government of about a fifth of the money needed for a project had induced a company to do something it would not otherwise have done or has significantly speeded up a development that might otherwise have been delayed.

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Other industries have bene-

John Elliott



## OFFSHORE AND OVERSEAS FUNDS

[illegible]



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Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## BANKS & HP—Continued

Dividends	Stock	Price	Last	Div	Yield
Paid					
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00

## CHEMICALS, PLASTICS—Cont.

Dividends	Stock	Price	Last	Div	Yield
Paid					
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00

## ENGINEERING—Continued

Dividends	Stock	Price	Last	Div	Yield
Paid					
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
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Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00
Jan 1	100	100.00	100.00	4.00	4.00

## BRITISH FUNDS

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## "Shorts" (Lives up to Five Years)

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## Fire to Fifteen Years

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## Over Fifteen Years

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## Undated

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## INTERNATIONAL BANK

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## CORPORATION LOANS

Interest	Stock	Price	Last	Div	Yield
Due					
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May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00

## COMMONWEALTH & AFRICAN LOANS

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
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May 1	100	100.00	100.00	4.00	4.00
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## LOANS

Interest	Stock	Price	Last	Div	Yield
Due					
May 1	100	100.00	100.00	4.00	4.00
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